

BRIAN K. KROLICKI
NEVADA STATE TREASURER
IS SOLICITING PROPOSALS FOR
SECURITIES LENDING SERVICES
LOCAL GOVERNMENT INVESTMENT POOL
REQUEST FOR PROPOSAL NO. 04-003

DEADLINE FOR SUBMITTING QUESTIONS: April 19, 2004

DEADLINE FOR SUBMISSION AND OPENING DATE & TIME:
MAY 4 , 2004 @ 2:00 P.M. (PDT)

Project Abstract: Securities lending services for the Local Government Investment Pool are being sought for Brian K. Krolicki, Nevada State Treasurer.

The actual RFP document consists of 63 pages.

A copy of this Request for Proposal (RFP) may be obtained by any of the following methods:

1. Retrieve the document from State Purchasing's Web Page at: <http://www.state.nv.us/purchasing/> and click on "Other Agency RFP Opportunities". **You will be responsible for checking the web site for any amendments.**
2. Retrieve the document from our website at <http://nevadatreasurer.gov> or e-mail us at dvasey@nevadatreasurer.gov and request a copy of the RFP be forwarded to you. Please include your company name, e-mail address, contact name, phone number and fax number. We will automatically send you any amendments or changes to the RFP.
3. Fill out this form and fax it back to us at (702) 486-2490. We will automatically send you any amendments or changes.

Company Name: _____

Phone No. _____

Contact Name: _____

Fax No. _____

Address: _____

City: _____ State: _____ Zip: _____

Check preferred method for receiving documents.

Fax _____ Mail _____ E-Mail _____

E-mail Address: _____

**Brian K. Krolicki
Nevada State Treasurer**

Request For Proposal No. 04-003
For
**Securities Lending Services
Local Government Investment Pool**

Release Date: April 7, 2004
Deadline for Submission and Opening Date and Time: **May 4, 2004 @ 2:00 P.M. (PDT)**

For additional information, please contact:
Diana Vansickle, Deputy Treasurer of Investments
(702) 486-2488 (TTY for the Hearing Impaired: 1-800-326-6868.
Ask the relay agent to dial 1-702-486-2488/V.)

See Page 7, for instructions on submitting proposals.

Company Name: _____ Contact Person: _____

Address: _____ City: _____ State: _____ Zip: _____

Telephone: _____ Fax: _____ Federal Tax ID No.: _____

E-Mail Address: _____

Prices contained in this proposal are subject to acceptance within 60 calendar days of award.

I have read, understand, and agree to all terms and conditions herein.

Date _____

Signed _____

Print Name & Title _____

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A Request for Proposals process is different from an Invitation to Bid. The State expects vendors to propose creative, competitive solutions to the agency's stated problem or need, as specified below. While adherence to specifications is desired, vendors may take exception to any requirement of the RFP. Exceptions should be clearly stated in Attachment A (Certification of Indemnification and Compliance with Terms and Conditions of RFP). The State reserves the right to limit the Scope of Work prior to award, if deemed in the best interest of the State per NRS 333.350(1).

1. OVERVIEW OF PROJECT

The Nevada State Treasurer (Treasurer), in accordance with his responsibilities to administer the Local Government Investment Pool (LGIP), is requesting proposals (RFP) from vendors to provide securities lending services for the LGIP for a period of two (2) years, with two (2) one (1) year renewal options.

Nevada Revised Statutes (NRS) 355.167, which was enacted by the Nevada State Legislature (Legislature) during the 1979 biennial session, created the LGIP and appointed the Treasurer as its administrator. This statute also allows the Treasurer to lend securities from the LGIP. NRS Chapter 355 is located at <http://leg.state.nv.us>. The statutes set forth the general provisions of the LGIP and the duties and powers of the Treasurer.

The LGIP was established as an alternative program to be utilized by local governments for the investment of their public funds. Any local government, as defined by NRS 354.474, may deposit its public monies into this fund for purposes of investment. As of March 31, 2004, the par value of the LGIP portfolio is \$545,807,000. The portfolio is comprised mainly of United States Agency securities, as well as selected money market instruments. The LGIP's investment objectives in order of priority include safety of principal, portfolio liquidity, and market return, which is consistent with a conservative, short duration portfolio of securities.

The LGIP is one component of the State's investment program administered by the Treasurer. The State investment program has two full time employees, with additional services provided by members of the Treasurer's staff. All LGIP investment activity, which includes purchases, sales or maturities of securities, the deposits or withdrawals of member funds, and the interest allocation process are tracked internally by the Treasurer's investment reporting system. General ledger accounts monitored by the State Controller's Office are used to account for LGIP investment activities within the state accounting system. Securities purchased, as well as repurchase collateral, are delivered against payment and held in a safekeeping account with the Treasurer's securities custodian (custodian).

The purpose of this RFP is to solicit proposals from vendors to provide securities lending services to the LGIP. NRS Chapter 355.167 states: "The state treasurer may adopt reasonable regulations to carry out the provisions of this section." It is the intent of the Treasurer to award a contract to one vendor for services from August 1, 2004 through July 31, 2006.

2. ACRONYMS/DEFINITIONS

For the purposes of this RFP, the following acronyms/definitions will be used:

<i>Awarded Vendor</i>	The organization/individual that is awarded and has an approved contract with the state of Nevada for the services identified in this RFP.
<i>Board</i>	The Nevada State Board of Finance
<i>Evaluation Committee</i>	An independent committee comprised of a majority of state officers or employees established to evaluate and score proposals submitted in response to the RFP pursuant to NRS 333.335.
<i>May</i>	Indicates something that is not mandatory but permissible.
<i>NAC</i>	Nevada Administrative Code
<i>NRS</i>	Nevada Revised Statutes
<i>Portfolio</i>	LGIP Portfolio
<i>RFP</i>	Request for Proposal - a written statement setting forth the requirements and specifications of a contract to be awarded by competitive selection per NRS 333.020(7).
<i>Shall/Must</i>	Indicates a mandatory requirement. Failure to meet a mandatory requirement may result in the rejection of a proposal as non-responsive.
<i>Should</i>	Indicates something that is recommended but not mandatory. If the vendor fails to provide recommended information, the State may, at its sole option, ask the vendor to provide the information or evaluate the proposal without the information.
<i>State</i>	The state of Nevada and any agency identified herein.
<i>Subcontractor</i>	Third party not directly employed by the vendor who will provide services identified in this RFP. This does not include third parties who provide support or incidental services to the vendor.
<i>Treasurer</i>	Brian K. Krolicki, Nevada State Treasurer.
<i>Will</i>	Indicates a mandatory requirement. Failure to meet a mandatory requirement may result in the rejection of a proposal as non-responsive.
<i>Vendor</i>	Organization/individual submitting a proposal in response to this RFP.

3. **SCOPE OF WORK**

The scope of the securities lending services will involve the administration of a securities lending program which must remain in compliance with the Treasurer's adopted LGIP Investment Policy (Policy) and NRS. The Securities Lending Investment Policy is attached as an appendix to this document, which was approved by the State Board of Finance in June 2002. The Policy and investment portfolio are included as **Attachment C and D**. LGIP records and portfolio holdings are maintained at the current custodian, Wells Fargo Bank, in Minneapolis, Minnesota. All securities lending activity will be required to flow through the securities lending accounts established with the custodian. It is imperative that each reporting period encompassing the fiscal year ending June 30, be completed no later than October 31 of the following fiscal year, as the statements will be included in the Comprehensive Annual Financial Report (CAFR) for the State.

Administration and Reporting:

1. Describe the process the firm will use to ensure compliance with applicable state and federal laws, regulations and administrative codes.
2. Indicate intent to accept the State's standard contract form attached to this RFP. Describe briefly vendor's applicable insurance coverage in effect that can be made available to the State.
3. Provide a statement of availability for assistance for questions and problems during the term of the contract and availability for other negotiated services.
4. Indicate willingness to meet annually in Nevada (Las Vegas or Carson City) with the Treasurer at no cost in addition to that included in the fee proposal.

4. **SUBMITTAL INSTRUCTIONS**

- 4.1 In lieu of a pre-proposal conference, the Treasurer will accept questions and/or comments in writing, received by e-mail regarding this RFP as follows:

Questions must reference the identifying RFP number and be e-mailed to: Diana Vansickle at dvasey@nevadatreasurer.gov. The deadline for submitting questions is April 19, 2004 at 2:00 P.M. (PDT). All questions and/or comments will be addressed via e-mail to prospective vendors on or about April 26, 2004. Please provide company name, phone number, fax number, e-mail address and contact person when submitting questions.

- 4.2 RFP Timeline: All times shown are Pacific Daylight Time (PDT)

<i>TASK</i>	<i>DATE/TIME</i>
Deadline for submitting questions	April 19, 2004 @ 2:00 P.M.
Answers to all questions submitted available on or about	April 26, 2004 @ 2:00 P.M.

Deadline for submission and opening of proposals May 4, 2004 @ 2:00 P.M.

Evaluation period	May 4 to May 28, 2004
Oral Presentations from selected vendors	On or about May 26, 2004
Selection of vendor	On or about May 28, 2004

NOTE: These dates represent a tentative schedule of events. The State reserves the right to modify these dates at any time, with appropriate notice to prospective vendors.

- 4.3 Vendors shall submit the following: One (1) original proposal marked “MASTER, NARRATIVE/TECHNICAL PROPOSAL” with seven (7) copies, and one (1) original proposal marked “MASTER, COST PROPOSAL” with seven (7) copies to:

State Treasurer Brian K. Krolicki
Attn: Diana Vansickle, Deputy Treasurer of Investments
101 North Carson Street, Suite 4
Carson City, NV 89701-4786

Proposals shall be clearly labeled in a sealed envelope or box as follows:

REQUEST FOR PROPOSAL NO: #04-003

PROPOSAL OPENING DATE: May 4, 2004

FOR: Securities Lending Services, Local Government Investment Pool

- 4.4 **Proposals must be received** at the above-referenced address no later than 2:00 P.M. May 4, 2004. Proposals that do not arrive by proposal opening time and date WILL NOT BE ACCEPTED. Vendors may submit their proposal any time prior to the above stated deadline.
- 4.5 The State will not be held responsible for proposal envelopes mishandled as a result of the envelope not being properly prepared. Facsimile or telephone proposals will **NOT** be considered; however, proposals may be modified by fax or written notice provided such notice is received prior to the opening of the proposals.
- 4.6 Although it is a public opening, only the names of the vendors submitting proposals will be announced per NRS 333.335(6). Technical and cost details about proposals submitted will not be disclosed. Assistance for handicapped, blind or hearing-impaired persons who wish to attend the RFP opening is available. If special arrangements are necessary, please notify the Treasurer’s designee, Diana Vansickle, as soon as possible and at least two days in advance of the opening.
- 4.7 If discrepancies are found between two or more copies of the proposal, the master copy will provide the basis for resolving such discrepancies. If one copy of the proposal is not clearly marked “MASTER,” the State may reject the proposal. However, the State may at its sole option, select one copy to be used as the master.
- 4.8 For ease of evaluation, the proposal should be presented in a format that corresponds to and references sections outlined within this RFP and should be presented in the same order. Responses to each section and subsection should be labeled so as to indicate which item is being addressed. Exceptions to this will be considered during the evaluation process.

- 4.9 If complete responses cannot be provided without referencing supporting documentation, such documentation must be provided with the proposal and specific references made to the tab, page, section and/or paragraph where the supplemental information can be found.
- 4.10 Proposals are to be prepared in such a way as to provide a straightforward, concise delineation of capabilities to satisfy the requirements of this RFP. Expensive bindings, colored displays, promotional materials, etc., are not necessary or desired. Emphasis should be concentrated on conformance to the RFP instructions, responsiveness to the RFP requirements, and on completeness and clarity of content.
- 4.11 Descriptions on how any and all equipment and/or services will be used to meet the requirements of this RFP shall be given, in detail, along with any additional information documents that are appropriately marked.
- 4.12 **The proposal must be signed by the individual(s) legally authorized to bind the vendor per NRS 333.337.**
- 4.13 For ease of responding to the RFP, vendors are encouraged, but not required, to request an electronic copy of the RFP. Electronic copies are available in the following formats: Word 6.0/7.0 via e-mail, diskette, or on the State Purchasing Division's website in PDF or EXE format at www.state.nv.us/purchasing. When requesting an RFP via e-mail or diskette vendors may contact the Treasurer's designee for assistance. In the event vendors chose to receive the RFP on diskette, the vendor will be responsible for providing a blank 3.5" formatted diskette; unless vendors provide a Federal Express, Airborne Express, etc. account number and appropriate return materials, the diskette will be returned by first class U.S. mail.
- 4.14 Vendors utilizing an electronic copy of the RFP in order to prepare their proposals should place their written response in *an easily distinguishable font* immediately following the applicable question.
- 4.15 *For purposes of addressing questions concerning this RFP, the sole contact will be Diana Vansickle. Upon issuance of this RFP, other employees and representatives of the agencies identified in the RFP will not answer questions or otherwise discuss the contents of this RFP with any prospective vendors or their representatives.*
- Failure to observe this restriction may result in disqualification of any proposal per NAC 333.155(3).* This restriction does not preclude discussions between affected parties for the purpose of conducting business unrelated to this procurement.
- 4.16 If a vendor changes any material RFP language, vendor's response may be deemed non-responsive per NRS 333.311.
- 4.17 A vendor who believes proposal requirements or specifications are unnecessarily restrictive or limit competition may submit a request for administrative review, in writing, to the Treasurer. To be considered, a request for review must be **received** no later than the deadline for submission of questions.

The Treasurer shall promptly respond in writing to each written review request, and where

appropriate, issue all revisions, substitutions or clarifications through a written amendment to the RFP.

Administrative review of technical or contractual requirements shall include the reason for the request, supported by factual information, and any proposed changes to the requirements

- 4.18 Vendors are cautioned that some services may contain licensing requirement(s). Vendors shall be proactive in verification of these requirements prior to proposal submittal. Proposals, which do not contain the requisite licensure, may be deemed non-responsive. However, this does not negate any applicable Nevada Revised Statute (NRS) requirements.
- 4.19 Proposals shall be submitted in two (2) distinct parts - the **narrative/technical proposal** and the **cost proposal**. THE NARRATIVE/TECHNICAL PROPOSAL **MUST NOT** INCLUDE COST AND PRICING INFORMATION. While Technical and Cost proposals may be shipped together (i.e., in the same box/envelope), each proposal, inclusive of the master and requisite number of copies, must be bound or packaged separately.

5. PROPOSAL EVALUATION AND AWARD PROCESS

- 5.1 Proposals shall be consistently evaluated and scored in accordance with NRS 333.335(3) based upon the following criteria listed in descending order of precedence:
- Demonstrated competence;
 - Experience in performance of comparable engagements;
 - Expertise and availability of key personnel;
 - Ability to generate securities lending revenue, and competitiveness of proposed fees and revenue sharing;
 - Quality, completeness, responsiveness and content of the answers to this RFP;
 - Financial stability, which will be evaluated on a pass/fail basis; and
 - Corporate governance policy

Proposals shall be kept confidential until a contract is awarded.

- 5.2 The evaluation committee may also contact the references provided in response to the section identified as Company Background and References; contact any vendor to clarify any response; contact any current users of a vendor's services; solicit information from any available source concerning any aspect of a proposal; and seek and review any other information deemed pertinent to the evaluation process. The evaluation committee shall not be obligated to accept the lowest cost proposal, but shall make an award in the best interests of the State of Nevada per NRS 333.335(5).

- 5.3 Clarification discussions may, at the State's sole option, be conducted with vendors who submit proposals determined to be acceptable and competitive per NAC 333.165. Vendors shall be accorded fair and equal treatment with respect to any opportunity for discussion and/or written revisions of proposals. Such revisions may be permitted after submissions and prior to award for the purpose of obtaining best and final offers. In conducting discussions, there shall be no disclosure of any information derived from proposals submitted by competing vendors.
- 5.4 A Notification of Intent to Award shall be sent to any vendor selected pursuant to NAC 333.170. Any award is contingent upon the successful negotiation of final contract terms and upon approval of the Nevada State Board of Examiners, when required. Negotiations shall be confidential and not subject to disclosure to competing vendors unless and until an agreement is reached. If contract negotiations cannot be concluded successfully, the State upon written notice to all vendors may negotiate a contract with the next highest scoring vendor or withdraw the RFP.
- 5.5 Any contract resulting from this RFP shall not be effective unless and until approved by the Nevada State Board of Examiners (NRS 284.173).

6. COMPANY BACKGROUND AND REFERENCES

- 6.1 Provide the name and principal address of the vendor. Include phone and fax numbers, and e-mail addresses.
- 6.2 Provide the name and title of the person who will serve as the key contact person and his or her location if different from above. Include phone and fax numbers and e-mail addresses.
- 6.3 Discuss the vendor's organization, size and structure. Indicate the length of time the vendor has been providing securities lending services. Identify ownership of the vendor and discuss any ownership changes over the past three years or any pending or proposed changes. Provide a list of office locations.
- 6.4 Provide a statement of the vendor's understanding of the work to be performed and the vendor's philosophy regarding the relationship between lending agent and client.
- 6.5 Discuss the vendor's securities lending experience, the position and level of importance the lending program has in the vendor's organization, and the vendor's commitment to this program in the context of the overall corporate strategy.
- 6.6 Provide an affirmative commitment to perform the work within the specified time frame.
- 6.7 Describe all vendor regulatory censure or litigation occurring over the past five (5) years.
- 6.8 Provide a list of three client references for whom the vendor has provided governmental securities lending services, including contact names and telephone numbers.
- 6.9 Discuss client relationships, if any, with state or municipal investment pools.

6.10 Is vendor a member of the National Association of State Treasurers (NAST)?

6.11 Does this proposal include the use of subcontractors?

Yes _____ No _____ Unknown _____

If “Yes”, vendor must: Identify specific subcontractors and the specific requirements of this RFP for which each proposed subcontractor will perform services.

6.12 Provide the information for any proposed subcontractors as requested in the Primary Vendor Information section.

6.13 References as specified above must be provided for any proposed subcontractors.

6.14 The State requires that the awarded vendor provide proof of payment to all subcontractors used for this project. Proposals shall include a plan by which the State will be notified of such payments.

6.15 Primary vendor shall not allow any subcontractor to commence work until all insurance required of the subcontractor is provided to the Treasurer.

6.16 Primary vendor must notify the Treasurer of the intended use of any subcontractors not identified within their response and receive Treasurer’s approval prior to subcontractor commencing work.

7. PERSONNEL

7.1 Provide a summary organization chart showing the vendor’s implementation and operational teams. Provide a brief biography or curriculum vitae for each member.

7.2 List the personnel responsible for the following areas: (1) Client Service, (2) Securities Lending Activity, (3) Compliance, and (4) Accounting/Reporting.

7.3 Discuss senior management’s oversight of the securities lending program.

7.4 Provide information that details the representation of women, minorities, and disabled persons in professional positions within vendor for the past three (3) years.

SECURITIES LENDING HISTORY

- 8.1 How long has vendor been involved in securities lending?
- 8.2 What was vendor's average lendable base, average percentage on loan, and gross spread for the past three (3) years?
- 8.3 How many clients currently participate in vendor's securities lending program, and how does this figure compare to three (3) years ago? What is the average client size in terms of lendable assets? How many of these clients are public institutions? Is vendor selective in the addition of new clients?
- 8.4 How many securities lending clients have terminated vendor's services in the last three (3) years? Please provide the specific reasons for the termination.
- 8.5 Provide a discussion of a "third-party" securities lending arrangement versus a custodial securities lending arrangement. Indicate which arrangement vendor has experience with, and what percentages of vendor's lending revenues are derived from third-party and custody lending.
- 8.6 Describe the process of lending a security for which vendor is not the custodian. Would this process differ for custodial clients?
- 8.7 Using a graphical representation by month, please provide the average gross income, cash management fees, rebate rates, miscellaneous fees and gross spreads (in basis points) for the past one (1) year by security type loaned: (a) United States Treasury securities, and (b) United States Agency securities.
- 8.8 Provide the name of the independent auditor responsible for auditing vendor's securities lending activities. Please include contact person's name, title, and telephone number.
- 8.9 Provide three (3) public funds securities lending clients as references, and include the contact person's name, title, and telephone number.

9. SECURITIES LENDING POLICY AND PROCEDURES

- 9.1 Describe vendor's securities lending process in detail.
- 9.2 How much does vendor vary its mismatch between the maturities of loans and investment collateral? What are the inherent risks of a mismatched portfolio, and how are these risks monitored?
- 9.3 How does vendor determine which securities are lendable, and how does your process maximize the percentage of those securities on loan? As policy, does vendor lend United States Agency securities?
- 9.4 Describe vendor's process of determining the rebate rate to the borrower. Is this rate fixed for the life of the loan?

- 9.5 How often does vendor evaluate the securities lending portfolio, and is each individual loan evaluated separately? Explain how the mark-to-market process works in relation to your securities lending operation.
- 9.6 Describe the collateralization process (initial versus maintenance margins). How frequently do you recollateralize or re-mark margin requirements?
- 9.7 What is the maximum amount of securities that should be loaned from a portfolio? What are the risks associated with this practice?
- 9.8 Are there trading restrictions for securities on loan?
- 9.9 Discuss vendor's securities lending performance measurements versus a selected benchmark, or submit an independent assessment of vendor's performance by a recognized industry organization for the past three (3) years.
- 9.10 What securities are accepted as collateral for loans? If securities are provided as collateral, please note acceptance of the Treasurer's custodian for safekeeping.
- 9.11 What type of collateral is preferred, and why?
- 9.12 Has vendor ever been a party to a failed security in a lending transaction, or have any of vendor's securities lending clients ever experienced a loss from these activities? If yes, please provide an explanation.
- 9.13 Describe the loan termination process and the safeguards in place to protect against broker default.
- 9.14 Discuss vendor's ability to maintain a working relationship with the Treasurer's custodian.

10. BORROWERS AND CREDIT ANALYSIS

- 10.1 Describe vendor's process for approval of borrowers. How often is a credit review of borrowers undertaken, and which department is responsible?
- 10.2 Provide a list of vendor's current borrowers. Identify the top ten borrowers and the percentage these borrowers represent of the total of vendor's securities lending program.
- 10.3 What are vendor's internal borrower diversifications or restrictions? What is the maximum value of assets that can be lent to a single approved borrower?
- 10.4 Discuss the advantages vendor has in dealing with the broker/dealer community, and address how this would benefit vendor's securities lending clients.
- 10.5 What are vendor's competitive advantages in securities lending?

11. INVESTMENTS AND COLLATERAL MANAGEMENT

- 11.1 Provide the names of the individuals responsible for the management and investment of the client's securities lending collateral. What are vendor's internal guidelines to ensure compliance with the Treasurer's investment policies?
- 11.2 Provide a description of vendor's asset management capabilities. What investment options are offered to securities lending clients? Are the accounts managed separately, or are they commingled? Address the advantage/disadvantages of each process.
- 11.3 Which department is responsible for credit research, and how is this information relayed to investment personnel? Describe how credits are monitored, and address what action is taken after credit downgrades.
- 11.4 Discuss vendor's investment in asset-backed securities (ABS). Does vendor maintain an approved list of ABS? What, if any, restrictions has vendor placed on ABS where the parent is rated below investment grade on a stand alone basis?
- 11.5 What measurements or benchmarks are used to assess investment performance?
- 11.6 Describe any risk management tools used in the collateral management process.
- 11.7 Discuss vendor's ability to identify and control risk in both the investment and asset/liability function of vendor's securities lending program. How often does vendor conduct interest rate stress tests?

12. SECURITIES LENDING MODEL

- 12.1 Provide a description of a securities lending program customized for the LGIP, using the investment portfolio in **Attachment D**. Please keep in mind that the base used to compute securities percentage restrictions includes all securities lending investments, in addition to the LGIP portfolio.
- 12.2 Provide the detail of a securities lending transaction from loan initiation to return of the loaned security.
- 12.3 Provide an estimate of the yearly income that vendor would generate from the investment portfolio as detailed in **Attachment D**. Please specify all assumptions (spreads, volume, bank charges, etc) used in calculating estimated income.
Note: Assumptions must take into account the investment restrictions specified in NRS and the LGIP Investment Policy, as detailed in Attachment C, for the reinvestment of cash collateral.
- 12.4 Provide a similar estimate of income if the pledged collateral was not in the form of cash, but in United States Treasury and Agency securities.
- 12.5 If vendor believes there are alternative strategies that would be of value, provide these projections and the reasoning.

13. REPORTING

- 13.1 Detail the information contained in vendor's securities lending reports. How often are these reports made available to the client?
- 13.2 Can these reports be customized?
- 13.3 Are these reports available on the Internet or other on-line service?
- 13.4 Provide a detailed example of all reports utilized in the vendor's securities lending program.
- 13.5 Discuss vendor's disaster recovery program.

14. INDEMNIFICATION

- 14.1 Describe vendor's errors and omissions insurance coverage and any other insurance coverage vendor carries for securities lending agents.
- 14.2 What types of indemnification does vendor offer against losses to securities lending clients? What other safeguards does vendor provide?

15. CORPORATE GOVERNANCE

- 15.1 The Treasurer encourages all vendors that are retained or utilized by his office to adopt corporate governance policies that provide investors with confidence in the structure and management of the vendor. Please describe vendor's activities relating to corporate governance, which may include such issues as auditor independence, board independence, proxy voting, enhanced financial disclosures, etc.

16. FEES

Note: Cost information must not be included with the vendor's Narrative/Technical Proposal, please refer to the Submittal Instructions, Item 4.3.

- 16.1 Provide the management fees and/or income splits, based upon the vendor's estimated lending revenue in **Item 12.3**. In addition to the above, address other fees which may be assessed.
- 16.2 Does vendor offer a performance oriented fee arrangement, and if so, what risks are associated with this approach?

17. TERMS, CONDITIONS AND EXCEPTIONS

- 17.1 This procurement is being conducted in accordance with NRS Chapter 333 and NAC Chapter 333.
- 17.2 The State reserves the right to alter, amend, or modify any provisions of this RFP, or to withdraw this RFP, at any time prior to the award of a contract pursuant hereto, if it is in the best interest of the State to do so.
- 17.3 The State reserves the right to waive informalities and minor irregularities in proposals received.
- 17.4 The State reserves the right to reject any or all proposals received prior to contract award per NRS 333.350.
- 17.5 The State shall not be obligated to accept the lowest priced proposal, but will make an award in the best interests of the State of Nevada after all factors have been evaluated per NRS 333.335.
- 17.6 Any irregularities or lack of clarity in the RFP should be brought to the State Treasurer designee's attention as soon as possible so that corrective addenda may be furnished to prospective vendors.
- 17.7 Proposals must include any and all proposed terms and conditions, including, without limitation, written warranties, maintenance/service agreements, license agreements, lease purchase agreements and the vendor's standard contract language. The omission of these documents renders a proposal non-responsive.
- 17.8 Alterations, modifications or variations to a proposal may not be considered unless authorized by the RFP or by addendum or amendment.
- 17.9 Proposals which appear unrealistic in the terms of technical commitments, lack of technical competence, or are indicative of failure to comprehend the complexity and risk of this contract, may be rejected.
- 17.10 Proposals from employees of the State of Nevada will be considered in as much as they do not conflict with the State Administrative Manual per NRS 281 and NRS 284.
- 17.11 Proposals may be withdrawn by written or facsimile notice received prior to the proposal opening time. Withdrawals received after the proposal opening time will not be considered except as authorized by NRS 333.350(3).
- 17.12 The price and amount of this proposal must have been arrived at independently and without consultation, communication, agreement or disclosure with or to any other contractor, vendor or prospective vendor. Complimentary proposals are illegal.
- 17.13 No attempt may be made at any time to induce any firm or person to refrain from submitting a proposal or to submit any intentionally high or noncompetitive proposal. All proposals must be made in good faith and without collusion.

- 17.14 Prices offered by vendors in their proposals are an irrevocable offer for the term of the contract and any contract extensions. The awarded vendor agrees to provide the purchased services at the costs, rates and fees as set forth in their proposal in response to this RFP. No other costs, rates or fees shall be payable to the awarded vendor for implementation of their proposal.
- 17.15 The State is not liable for any costs incurred by vendors prior to entering into a formal contract. Costs of developing the proposals or any other such expenses incurred by the vendor in responding to the RFP, are entirely the responsibility of the vendor, and shall not be reimbursed in any manner by the State. The master copy of each proposal shall be retained for official files and will become public record after the award of a contract unless the proposal or specific parts of the proposal can be shown to be exempt by law (NRS 333.333). Each vendor may clearly label all or part of a proposal as "CONFIDENTIAL" provided that the vendor thereby agrees to indemnify and defend the State for honoring such a designation. The failure to so label any information that is released by the State shall constitute a complete waiver of any and all claims for damages caused by any release of the information.
- 17.16 A proposal submitted in response to this RFP must identify any subcontractors, and outline the contractual relationship between the awarded vendor and each subcontractor. An official of each proposed subcontractor must sign, and include as part of the proposal submitted in response to this RFP, a statement to the effect that the subcontractor has read and will agree to abide by the awarded vendor's obligations.
- 17.17 The awarded vendor will be the sole point of contract responsibility. The State will look solely to the awarded vendor for the performance of all contractual obligations, which may result from an award based on this RFP, and the awarded vendor shall not be relieved for the non-performance of any or all subcontractors.
- 17.18 The awarded vendor must maintain, for the duration of its contract, insurance coverages as set forth in the Insurance Schedule of the contract form appended to this RFP. Work on the contract shall not begin until after the awarded vendor has submitted acceptable evidence of the required insurance coverages. Failure to maintain any required insurance coverage or acceptable alternative method of insurance will be deemed a breach of contract.

Notwithstanding any other requirement of this section, the State reserves the right to consider reasonable alternative methods of insuring the contract in lieu of the insurance policies required by the above-stated Insurance Schedule. It will be the awarded vendor's responsibility to recommend to the State alternative methods of insuring the contract. Any alternatives proposed by a vendor should be accompanied by a detailed explanation regarding the vendor's inability to obtain insurance coverage as described above. The State shall be the sole and final judge as to the adequacy of any substitute form of insurance coverage.

- 17.19 Each vendor must disclose any existing or potential conflict of interest relative to the performance of the contractual services resulting from this RFP. Any such relationship that might be perceived or represented as a conflict should be disclosed. By submitting a proposal in response to this RFP, vendors affirm that they have not given, nor intend to give at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant or any employee or representative of same, in connection with this procurement. Any attempt to intentionally or unintentionally conceal or obfuscate a conflict of interest will automatically result in the disqualification of a vendor's

proposal. An award will not be made where a conflict of interest exists. The State will determine whether a conflict of interest exists and whether it may reflect negatively on the State's selection of a vendor. The State reserves the right to disqualify any vendor on the grounds of actual or apparent conflict of interest.

- 17.20 Each vendor must include in its proposal a complete disclosure of any alleged significant prior or ongoing contract failures, any civil or criminal litigation or investigation pending which involves the vendor or in which the vendor has been judged guilty or liable. Failure to comply with the terms of this provision will disqualify any proposal. The State reserves the right to reject any proposal based upon the vendor's prior history with the State or with any other party, which documents, without limitation, unsatisfactory performance, adversarial or contentious demeanor, significant failure(s) to meet contract milestones or other contractual failures. See generally, NRS 333.335.
- 17.21 The State will not be liable for Federal, State, or Local excise taxes.
- 17.22 Execution of Attachment A of this RFP shall constitute an agreement to all terms and conditions specified in the RFP, including, without limitation, the Attachment B contract form and all terms and conditions therein, except such terms and conditions that the vendor expressly excludes. Exceptions will be taken into consideration as part of the evaluation process.
- 17.23 The State reserves the right to negotiate final contract terms with any vendor selected per NAC 333.170. The contract between the parties will consist of the RFP together with any modifications thereto, and the awarded vendor's proposal, together with any modifications and clarifications thereto that are submitted at the request of the State during the evaluation and negotiation process. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: the final executed contract, the RFP, any modifications and clarifications to the awarded vendor's proposal, and the awarded vendor's proposal. Specific exceptions to this general rule may be noted in the final executed contract.
- 17.24 Vendor understands and acknowledges that the representations above are material and important, and will be relied on by the State in evaluation of the proposal. Any vendor misrepresentation shall be treated as fraudulent concealment from the State of the true facts relating to the proposal.
- 17.25 No announcement concerning the award of a contract as a result of this RFP can be made without the prior written approval of the State.
- 17.26 The Nevada Attorney General will not render any type of legal opinion regarding this transaction.
- 17.27 Any unsuccessful vendor may file an appeal in strict compliance with NRS 333.370 and Chapter 333 of the Nevada Administrative Code.
- 17.28 Local governments (as defined in NRS 332.015) are intended third party beneficiaries of any contract resulting from this RFP and any local government may join or use any contract resulting from this RFP subject to all terms and conditions thereof pursuant to NRS 332.195. The State is

not liable for the obligations of any local government which joins or uses any contract resulting from this RFP.

- 17.29 Any person who requests or receives a Federal contract, grant, loan or cooperative agreement shall file with the using agency a certification that the person making the declaration has not made, and will not make, any payment prohibited by subsection (a) of 31 U.S.C. 1352.

18. **SUBMISSIONS CHECKLIST**

This checklist is provided for vendor's convenience only and identifies documents that must be submitted with each RFP response in order to be considered responsive. Any proposals received without these requisite documents may be deemed non-responsive and not considered for contract award.

Documents to be submitted with proposal:	Completed
1. Requested number of copies of technical proposals packaged separately	_____
2. Requested number of copies of cost proposals packaged separately	_____
3. Page 2 of the RFP completed and signed	_____
4. Primary Vendor Attachment A signed with confidentiality and exceptions noted	_____
5. Subcontractor Attachment A signed with confidentiality and exceptions noted	_____
6. Primary Vendor Information provided	_____
7. Subcontractor Information provided (if applicable)	_____
8. References provided for Primary Vendor	_____
9. References provided for Subcontractors (if applicable)	_____
10. Verification of licensure for Primary Vendor (if applicable)	_____
11. Verification of licensure for Subcontractors (if applicable)	_____
12. Certificate of Insurance _____	
13. <u>(Other)</u> _____	

Primary Vendor's Company Name: _____

Attachment A
CERTIFICATION OF INDEMNIFICATION AND COMPLIANCE WITH
TERMS AND CONDITIONS OF RFP
PRIMARY VENDOR

Submitted proposals are confidential until the contract is awarded; following contract award, in accordance with NRS 333.333, the State will maintain confidentiality of identified and labeled proprietary information regarding a trade secret as defined in NRS 600A.030(5). The State Treasurer will also protect any additional information marked "CONFIDENTIAL" providing you agree to indemnify and defend the State for honoring such a designation.

This proposal contains proprietary or confidential information Yes_____ No_____

By signing below, I understand it is my responsibility as the vendor to act in protection of the labeled information. I duly realize failure to so act will constitute a complete waiver and all submitted information will become public information; additionally, failure to label any information that is released by the State shall constitute a complete waiver of any and all claims for damages caused by the release of the information.

I have read, understand and agree to comply with the terms and conditions specified in this Request for Proposal. Checking "YES" indicates acceptance, while checking "NO" denotes non-acceptance and should be detailed below. Any exceptions **MUST** be documented.

YES _____ NO _____ SIGNATURE _____
Primary Vendor

EXCEPTIONS: Attach additional sheets if necessary. Please use this format.

EXCEPTION SUMMARY FORM

RFP SECTION NUMBER	RFP PAGE NUMBER	EXCEPTION (PROVIDE A DETAILED EXPLANATION)

CERTIFICATION OF COMPLIANCE WITH TERMS AND CONDITIONS OF RFP SUBCONTRACTOR

Submitted proposals are confidential until the contract is awarded; following contract award, in accordance with NRS 333.333, the State will maintain confidentiality of proprietary information regarding a trade secret as defined in NRS 600A.030(5). The State Treasurer will also protect any additional information marked "CONFIDENTIAL" providing you agree to indemnify and defend the State for honoring such a designation.

This proposal contains proprietary or confidential information Yes_____ No_____

By signing below, I understand it is my responsibility as the vendor to act in protection of the labeled information. I duly realize failure to so act will constitute a complete waiver and all submitted information will become public information; additionally, failure to label any information that is released by the State shall constitute a complete waiver of any and all claims for damages caused by the release of the information.

I have read, understand and agree to comply with the terms and conditions specified in this Request for Proposal. Checking "YES" indicates acceptance, while checking "NO" denotes non-acceptance and should be detailed below. Any exceptions **MUST** be documented.

YES _____ NO _____ SIGNATURE _____
Subcontractor

EXCEPTIONS: Attach additional sheets if necessary. Please use this format.

EXCEPTION SUMMARY FORM

RFP SECTION NUMBER	RFP NUMBER	PAGE	EXCEPTION (PROVIDE A DETAILED EXPLANATION)

Attachment B

CONTRACT FORM

The following State Contract Form is provided as a courtesy to vendors interested in responding to this RFP. Please review the terms and conditions in this form, as this is the standard contract used by the State for all services of independent contractors. Please pay particular attention to the insurance requirements, as specified in paragraph 15.

As with all other requirements of this RFP, vendors may take exception to any of the terms in the Contract Form, including the required insurance limits. Exceptions will be considered during the evaluation process. It is not necessary for vendors to complete the Contract Form with their proposal responses.

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR

A Contract Between the State of Nevada Acting By and Through Its

(NAME, ADDRESS, PHONE AND FACSIMILE NUMBER OF CONTRACTING AGENCY)

and

(NAME, ADDRESS, PHONE, FACSIMILE NUMBER FEDERAL I.D. NUMBER OF INDEPENDENT CONTRACTOR)

WHEREAS, NRS 284.173 authorizes elective officers, heads of departments, boards, commissions or institutions to engage, subject to the approval of the Board of Examiners, services of persons as independent contractors; and

WHEREAS, it is deemed that the service of Contractor are both necessary and in the best interests of the State of Nevada;

NOW, THEREFORE, in consideration of the aforesaid premises, the parties mutually agree as follows:

1. **REQUIRED APPROVAL.** This Contract shall not become effective until and unless approved by the Nevada State Board of Examiners.

2. **DEFINITIONS.** "State" means the State of Nevada and any state agency identified herein, its officers, employees and immune contractors as defined in NRS 41.0307.

3. **CONTRACT TERM.** This Contract shall be effective from AUGUST 1, 2004 to JULY 31, 2006, WITH 2(TWO) 1(ONE) YEAR RENEWAL OPTIONS, unless sooner terminated by either party as specified in paragraph (9).

4. **NOTICE.** Unless otherwise specified, termination shall not be effective until 60 calendar days after a party has served written notice of default, or without cause upon the other party. All notices or other communications required or permitted to be given under this Contract shall be in writing and shall be deemed to have been duly given if delivered personally in hand, by telephonic facsimile with simultaneous regular mail, or mailed certified mail, return receipt requested, postage prepaid on the date posted, and addressed to the other party at the address specified above.

5. **INCORPORATED DOCUMENTS.** The parties agree that the scope of work shall be specifically described; this Contract incorporates the following attachments in descending order of constructive precedence; a Contractor's Attachment shall not contradict or supersede any State specifications, terms or conditions without written evidence of mutual assent to such change appearing in this Contract:

ATTACHMENT A: STATE SOLICITATION: RFP 04-003;

ATTACHMENT B: CONTRACTOR'S RESPONSE

6. **CONSIDERATION.** The parties agree that Contractor will provide the services specified in paragraph (5) at a cost of _____ per _____ (state the exact cost or hourly, daily, or weekly rate exclusive of travel or per diem expenses) with the total Contract or installments payable: _____, not to exceed \$ _____. The State does not agree to reimburse Contractor for expenses unless otherwise specified in the incorporated attachments. Any intervening end to a biennial appropriation period shall be deemed an automatic renewal (not changing the overall Contract term) or a termination as the results of legislative appropriation may require.

7. **ASSENT.** The parties agree that the terms and conditions listed on incorporated attachments of this Contract are also specifically a part of this Contract and are limited only by their respective order of precedence and any limitations specified.

8. **INSPECTION & AUDIT.**

a. **Books and Records.** Contractor agrees to keep and maintain under general accepted accounting principles (GAAP) full, true and complete records, contracts, books, and documents as are necessary to fully disclose to the State or United States Government, or their authorized representatives, upon audits or reviews, sufficient information to determine compliance with all state and federal regulations and statutes.

b. **Inspection & Audit.** Contractor agrees that the relevant books, records (written, electronic, computer related or otherwise), including, without limitation, relevant accounting procedures and practices of Contractor or its subcontractors, financial statements and supporting documentation, and documentation related to the work product shall be subject, at any reasonable time, to inspection, examination, review, audit, and copying at any office or location of Contractor where such records may be found, with or without notice by the State Auditor, the relevant state agency or its contracted examiners, the Department of Administration, Budget Division, the Nevada State Attorney General's Office or its Fraud Control Units, the State Legislative Auditor, and with regard to any federal

funding, the relevant federal agency, the Comptroller General, the General Accounting Office, the Office of the Inspector General, or any of their authorized representatives. All subcontracts shall reflect requirements of this paragraph.

c. Period of Retention. All books, records, reports, and statements relevant to this Contract must be retained a minimum three years and for five years if any federal funds are used in the Contract. The retention period runs from the date of payment for the relevant goods or services by the State, or from the date of termination of the Contract, whichever is later. Retention time shall be extended when an audit is scheduled or in progress for a period reasonably necessary to complete an audit and/or to complete any administrative and judicial litigation which may ensue.

9. CONTRACT TERMINATION.

a. Termination without Cause. Any discretionary or vested right of renewal notwithstanding, this Contract may be terminated upon written notice by mutual consent of both parties or unilaterally by either party without cause.

b. State Termination for Nonappropriation. The continuation of this Contract beyond the current biennium is subject to and contingent upon sufficient funds being appropriated, budgeted, and otherwise made available by the State Legislature and/or federal sources. The State may terminate this Contract, and Contractor waives any and all claim(s) for damages, effective immediately upon receipt of written notice (or any date specified therein) if for any reason the Contracting Agency's funding from State and/or federal sources is not appropriated or is withdrawn, limited, or impaired.

c. Cause Termination for Default or Breach. A default or breach may be declared with or without termination. This Contract may be terminated by either party upon written notice of default or breach to the other party as follows:

i. If Contractor fails to provide or satisfactorily perform any of the conditions, work, deliverables, goods, or services called for by this Contract within the time requirements specified in this Contract or within any granted extension of those time requirements; or

ii. If any state, county, city or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by Contractor to provide the goods or services required by this Contract is for any reason denied, revoked, debarred, excluded, terminated, suspended, lapsed, or not renewed; or

iii. If Contractor becomes insolvent, subject to receivership, or becomes voluntarily or involuntarily subject to the jurisdiction of the bankruptcy court; or

iv. If the State materially breaches any material duty under this Contract and any such breach impairs Contractor's ability to perform; or

v. If it is found by the State that any quid pro quo or gratuities in the form of money, services, entertainment, gifts, or otherwise were offered or given by Contractor, or any agent or representative of Contractor, to any officer or employee of the State of Nevada with a view toward securing a contract or securing favorable treatment with respect to awarding, extending, amending, or making any determination with respect to the performing of such contract; or

vi. If it is found by the State that Contractor has failed to disclose any material conflict of interest relative to the performance of this Contract.

d. Time to Correct. Termination upon a declared default or breach may be exercised only after service of formal written notice as specified in paragraph (4), and the subsequent failure of the defaulting party within 15 calendar days of receipt of that notice to provide evidence, satisfactory to the aggrieved party, showing that the declared default or breach has been corrected.

e. Winding Up Affairs Upon Termination. In the event of termination of this Contract for any reason, the parties agree that the provisions of this paragraph survive termination:

i. The parties shall account for and properly present to each other all claims for fees and expenses and pay those which are undisputed and otherwise not subject to set off under this Contract. Neither party may withhold performance of winding up provisions solely based on nonpayment of fees or expenses accrued up to the time of termination;

ii. Contractor shall satisfactorily complete work in progress at the agreed rate (or a pro rata basis if necessary) if so requested by the Contracting Agency;

iii. Contractor shall execute any documents and take any actions necessary to effectuate an assignment of this Contract if so requested by the Contracting Agency;

iv. Contractor shall preserve, protect and promptly deliver into State possession all proprietary information in accordance with paragraph (20).

10. REMEDIES. Except as otherwise provided for by law or this Contract, the rights and remedies of the parties shall not be exclusive and are in addition to any other rights and remedies provided by law or equity, including, without limitation, actual damages, and to a prevailing party reasonable attorneys' fees and costs. It is specifically agreed that reasonable attorneys' fees shall include without limitation \$125 per hour for State-employed attorneys. The State may set off consideration against any unpaid obligation of Contractor to any State agency.

11. LIMITED LIABILITY. The State will not waive and intends to assert available NRS chapter 41 liability limitations in all cases. Contract liability of both parties shall not be subject to punitive damages. Liquidated damages shall not apply unless otherwise specified in the incorporated attachments. Damages for any State breach shall never exceed the amount of funds appropriated for payment under this Contract, but not yet paid to Contractor, for the fiscal year budget in existence at the time of the breach. Damages for any Contractor breach shall not exceed 150% of the contract maximum "not to exceed" value. Contractor's tort liability shall not be limited.

12. FORCE MAJEURE. Neither party shall be deemed to be in violation of this Contract if it is prevented from performing any of its obligations hereunder due to strikes, failure of public transportation, civil or military authority, act of public enemy, accidents, fires, explosions, or acts of God, including, without limitation, earthquakes, floods, winds, or storms. In such an event the intervening cause must not be through the fault of the party asserting such an excuse, and the excused party is obligated to promptly perform in accordance with the terms of the Contract after the intervening cause ceases.

13. INDEMNIFICATION. To the fullest extent permitted by law, Contractor shall indemnify, hold harmless and defend, not excluding the State's right to participate, the State from and against all liability, claims, actions, damages, losses, and expenses, including, without limitation, reasonable attorneys' fees and costs, arising out of any alleged negligent or willful acts or omissions of Contractor, its officers, employees and agents.

14. INDEPENDENT CONTRACTOR. Contractor is associated with the State only for the purposes and to the extent specified in this Contract, and in respect to performance of the contracted services pursuant to this Contract, Contractor is and shall be an independent contractor and, subject only to the terms of this Contract, shall have the sole right to supervise, manage, operate, control, and direct performance of the details incident to its duties under this Contract. Nothing contained in this Contract shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create any liability for the State whatsoever with respect to the indebtedness, liabilities, and obligations of Contractor or any other party. Contractor shall be solely responsible for, and the State shall have no obligation with respect to: (1) withholding of income taxes, FICA or any other taxes or fees; (2) industrial insurance coverage; (3) participation in any group insurance plans available to employees of the State; (4) participation or contributions by either Contractor or the State to the Public Employees Retirement System; (5) accumulation of vacation leave or sick leave; or (6) unemployment compensation coverage provided by the State. Contractor shall indemnify and hold State harmless from, and defend State against, any and all losses, damages, claims, costs, penalties, liabilities, and expenses arising or incurred because of, incident to, or otherwise with respect to any such taxes or fees. Neither Contractor nor its employees, agents, or representatives shall be considered employees, agents, or representatives of the State. The State and Contractor shall evaluate the nature of services and term negotiated in order to determine "independent contractor" status and shall monitor the work relationship throughout the term of the Contract to ensure that the independent contractor relationship remains as such. To assist in determining the appropriate status (employee or independent contractor), Contractor represents as follows:

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		<u>Contractor's Initials</u>	
		YES	NO
1.	Does the Contracting Agency have the right to require control of when, where and how the independent contractor is to work?	_____	_____
2.	Will the Contracting Agency be providing training to the independent contractor?	_____	_____
3.	Will the Contracting Agency be furnishing the independent contractor with worker's space, equipment, tools, supplies or travel expenses?	_____	_____
4.	Are any of the workers who assist the independent contractor in performance of his/her duties employees of the State of Nevada?	_____	_____
5.	Does the arrangement with the independent contractor contemplate continuing or recurring work (even if the services are seasonal, part-time, or of short duration)?	_____	_____
6.	Will the State of Nevada incur an employment liability if the independent contractor is terminated for failure to perform?	_____	_____
7.	Is the independent contractor restricted from offering his/her services to the general public while engaged in this work relationship with the State?	_____	_____

15. **INSURANCE SCHEDULE.** Unless expressly waived in writing by the State, Contractor, as an independent contractor and not an employee of the State, must carry policies of insurance in amounts specified in this Insurance Schedule and pay all taxes and fees incident hereunto. The State shall have no liability except as specified in the Contract. Contractor shall not commence work before:

- 1) Contractor has provided the required evidence of insurance to the Contracting Agency of the State, and
- 2) The State has approved the insurance policies provided by Contractor.

Prior approval of the insurance policies by the State shall be a condition precedent to any payment of consideration under this Contract and the State's approval of any changes to insurance coverage during the course of performance shall constitute an ongoing condition subsequent this Contract. Any failure to the State to timely approve shall not constitute a waiver of the condition.

Insurance Coverage: Contractor shall, at Contractor's sole expense, procure, maintain and keep in force for the duration of the Contract the following insurance conforming to the minimum requirements specified below. Unless specifically specified herein or otherwise agreed to by the State, the required insurance shall be in effect prior to the commencement of work by Contractor and shall continue in force as appropriate until the latter of:

1. Final acceptance by the State of the completion of this Contract; or
2. Such time as the insurance is no longer required by the State under the terms of this Contract.

Any insurance or self-insurance available to the State shall be excess of and non-contributing with any insurance required from Contractor. Contractor's insurance policies shall apply on a primary basis. Until such time as the insurance is no longer required by the State, Contractor shall provide the State with renewal or replacement evidence of insurance no less than thirty (30) days before the expiration or replacement of the required insurance. If at any time during the period when insurance is required by the Contract, an insurer or surety shall fail to comply with the requirements of this Contract, as soon as Contractor has knowledge of any such failure, Contractor shall immediately notify the State and immediately replace such insurance or bond with an insurer meeting the requirements.

Workers' Compensation and Employer's Liability Insurance

- 1) Contractor shall provide proof of worker's compensation insurance as required of Nevada Revised Statutes Chapters 616A through 616D inclusive.
- 2) Employer's Liability insurance with a minimum limit of \$500,000 each employee per accident for bodily injury by accident or disease.
- 3) If this contract is for temporary or leased employees, an *Alternate Employer* endorsement must be attached to the Contractor's workers' compensation insurance policy.
- 4) If the Contractor qualifies as a sole proprietor as defined in NRS Chapter 616A.310, and has elected to not purchase industrial insurance for himself/herself, the sole proprietor must submit to the contracting State agency a signed affidavit so stating.

Commercial General Liability Insurance

- 1) Minimum Limits required:

\$ <u>2,000,000</u>	General Aggregate
\$ _____	Products & Completed Operations Aggregate

\$ _____ Personal and Advertising Injury
\$ 1,000,000 Each Occurrence

- 2) Coverage shall be on an occurrence basis and shall be at least as broad as ISO 1996 form CG 00 01 (or a substitute form providing equivalent coverage); and shall cover liability arising from premises, operations, independent contractors, completed operations, personal injury, products, civil lawsuits, Title VII actions and liability assumed under an insured contract (including the tort liability of another assumed in a business contract).
- 3) A separate General Aggregate limit may apply to this project.

Business Automobile Liability Insurance

- 1) Minimum Limit required: **\$ Waived** Each Occurrence for bodily injury and property damage.
- 2) Coverage shall be for “any auto” (including owned, non-owned and hired vehicles).
- 3) The policy shall be written on ISO form CA 00 01 or a substitute providing equivalent liability coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage.

Professional Liability Insurance

- 1) Minimum Limit required: **\$ 5,000,000** Each Claim
- 2) Retroactive date: Prior to commencement of the performance of the contract
- 3) Discovery period: Three (3) years after termination date of contract.
- 4) A certified copy of this policy may be required.

Umbrella or Excess Liability Insurance

- 1) May be used to achieve the above minimum liability limits.
- 2) Shall be endorsed to state it is “As Broad as Primary Policy”

Commercial Crime Insurance

Minimum Limit required: **\$ Waived** Per Loss for Employee Dishonesty

This insurance shall be underwritten on a blanket form amending the definition of “employee” to include all employees of the Vendor regardless of position or category.

Performance Security

Amount required: **\$ Waived**

- 1) Security may be in the form of surety bond, Certificate of Deposit or Treasury Note payable to the State of Nevada, only.
- 2) The security shall be deposited with the contracting State agency no later than ten (10) working days following award of the Contract to Contractor.
- 3) Upon successful Contract completion, the security and all interest earned, if any, shall be returned to the Contractor.

General Requirements:

- a. **Additional Insured:** By endorsement to all liability policies, except Professional Liability, evidenced by Contractor, ***The State of Nevada, Office of the Treasurer, its officers, employees and immune contractors*** as defined in NRS 41.0307 shall be named as additional insureds for all liability arising from the contract.
- b. **Waiver of Subrogation:** Each liability insurance policy shall provide for a waiver of subrogation as to all additional insureds.
- c. **Cross-Liability:** All required liability policies shall provide cross-liability coverage as would be achieved under the standard ISO separation of insureds clause.
- d. **Deductibles and Self-Insured Retentions:** Insurance maintained by Contractor shall apply on a first dollar basis without application of a deductible or self-insured retention unless otherwise specifically agreed to by the State. Such approval shall not relieve Contractor from the obligation to pay any deductible or self-insured retention. Any deductible or self-insured retention shall not exceed \$5,000 per occurrence, unless otherwise approved by the Risk Management Division.
- e. **Approved Insurer:** Each insurance policy shall be:
 - 1) Issued by insurance companies authorized to do business in the State of Nevada or eligible surplus lines insurers acceptable to the State and having agents in Nevada upon whom service of process may be made, and
 - 2) Currently rated by A.M. Best as “A- VII” or better.

Evidence of Insurance:

- a. Prior to the start of any Work, Contractor must provide the following documents to the State:
 - 1) **Certificate of Insurance:** The Acord 25 Certificate of Insurance form or a form substantially similar must be submitted to the State to evidence the insurance policies and coverages required of Contractor.
 - 2) **Additional Insured Endorsement:** An original Additional Insured Endorsement (ISO form CG20 10 **11 85**), signed by an authorized insurance company representative, **must** be submitted to the State, by attachment to the Certificate of Insurance, to evidence the endorsement of the State as additional insureds.

- 3) Policy Cancellation Endorsement: Except for ten days notice for non-payment of premium, each insurance policy shall be endorsed to specify that without sixty (60) days prior written notice to the State of Nevada, the policy shall not be canceled, non-renewed or coverage and/or limits reduced or materially altered, and shall provide that notices required by this paragraph shall be sent by certified mail to the address specified above. A copy of this signed endorsement must be attached to the Certificate of Insurance.
- 4) Schedule of Underlying Insurance Policies: If Umbrella or Excess policy is evidenced to comply with minimum limits, provide a copy of the Underlier Schedule from the insurance policy.
- b. Review and Approval: Documents specified above must be submitted for review and approval by the State prior to the commencement of work by Contractor. Neither approval by the State nor failure to disapprove the insurance furnished by Contractor shall relieve Contractor of Contractor's full responsibility to provide the insurance required by this Contract. Compliance with the insurance requirements of this Contract shall not limit the liability of Contractor or its sub-contractors, employees or agents to the State or others, and shall be in addition to and not in lieu of any other remedy available to the State under this Contract or otherwise. The State reserves the right to request and review a copy of any required insurance policy or endorsement to assure compliance with these requirements.

Mail all required insurance documents to Contracting Agency at address specified above.

16. COMPLIANCE WITH LEGAL OBLIGATIONS. Contractor shall procure and maintain for the duration of this Contract any state, county, city or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by Contractor to provide the goods or services required by this Contract. Contractor will be responsible to pay all taxes, assessments, fees, premiums, permits, and licenses required by law. Real property and personal property taxes are the responsibility of Contractor in accordance with NRS 361.157 and 361.159. Contractor agrees to be responsible for payment of any such government obligations not paid by its subcontractors during performance of this Contract. The State may set-off against consideration due any delinquent government obligation.
17. WAIVER OF BREACH. Failure to declare a breach or the actual waiver of any particular breach of the Contract or its material or nonmaterial terms by either party shall not operate as a waiver by such party of any of its rights or remedies as to any other breach.
18. SEVERABILITY. If any provision contained in this Contract is held to be unenforceable by a court of law or equity, this Contract shall be construed as if such provision did not exist and the nonenforceability of such provision shall not be held to render any other provision or provisions of this Contract unenforceable.
19. ASSIGNMENT/DELEGATION. To the extent that any assignment of any right under this Contract changes the duty of either party, increases the burden or risk involved, impairs the chances of obtaining the performance of this Contract, attempts to operate as a novation, or includes a waiver or abrogation of any defense to payment by State, such offending portion of the assignment shall be void, and shall be a breach of this Contract. Contractor shall neither assign, transfer nor delegate any rights, obligations or duties under this Contract without the prior written consent of the State.
20. STATE OWNERSHIP OF PROPRIETARY INFORMATION. Any reports, histories, studies, tests, manuals, instructions, photographs, negatives, blue prints, plans, maps, data, system designs, computer code (which is intended to be consideration under the Contract), or any other documents or drawings, prepared or in the course of preparation by Contractor (or its subcontractors) in performance of its obligations under this Contract shall be the exclusive property of the State and all such materials shall be delivered into State possession by Contractor upon completion, termination, or cancellation of this Contract. Contractor shall not use, willingly allow, or cause to have such materials used for any purpose other than performance of Contractor's obligations under this Contract without the prior written consent of the State. Notwithstanding the foregoing, the State shall have no proprietary interest in any materials licensed for use by the State that are subject to patent, trademark or copyright protection.
21. PUBLIC RECORDS. Pursuant to NRS 239.010, information or documents received from Contractor may be open to public inspection and copying. The State will have the duty to disclose unless a particular record is made confidential by law or a common law balancing of interests. Contractor may clearly label individual documents as a "trade secret" or "confidential" provided that Contractor thereby agrees to indemnify and defend the State for honoring such a designation. The failure to so label any document that is released by the State shall constitute a complete waiver of any and all claims for damages caused by any release of the records. If a public records request for a labeled document is received by the State, the State will notify Contractor of the request and delay access to the material until seven working days after notification to Contractor. Within that time delay, it will be the duty of Contractor to act in protection of its labeled record. Failure to so act shall constitute a complete waiver.
22. CONFIDENTIALITY. Contractor shall keep confidential all information, in whatever form, produced, prepared, observed or received by Contractor to the extent that such information is confidential by law or otherwise required by this Contract.

23. FEDERAL FUNDING. In the event federal funds are used for payment of all or part of this Contract:

a. Contractor certifies, by signing this Contract, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency. This certification is made pursuant to the regulations implementing Executive Order 12549, Debarment and Suspension, 28 C.F.R. pt. 67, 67.510, as published as pt. VII of the May 26, 1988, Federal Register (pp. 19160-19211), and any relevant program-specific regulations. This provision shall be required of every subcontractor receiving any payment in whole or in part from federal funds.

b. Contractor and its subcontractors shall comply with all terms, conditions, and requirements of the Americans with Disabilities Act of 1990 (P.L. 101-136), 42 U.S.C. 12101, as amended, and regulations adopted thereunder contained in 28 C.F.R. 26.101-36.999, inclusive, and any relevant program-specific regulations.

c. Contractor and its subcontractors shall comply with the requirements of the Civil Rights Act of 1964, as amended, the Rehabilitation Act of 1973, P.L. 93-112, as amended, and any relevant program-specific regulations, and shall not discriminate against any employee or offeror for employment because of race, national origin, creed, color, sex, religion, age, disability or handicap condition (including AIDS and AIDS-related conditions.)

24. WARRANTIES.

a. General Warranty. Contractor warrants that all services, deliverables, and/or work product under this Contract shall be completed in a workmanlike manner consistent with standards in the trade, profession, or industry; shall conform to or exceed the specifications set forth in the incorporated attachments; and shall be fit for ordinary use, of good quality, with no material defects.

b. Millennium Compliance. Contractor warrants that any information system application(s), during or after the calendar year 2000, shall not experience abnormally ending and/or invalid and/or incorrect results from the application(s) in the operating and testing of the business of the State. This warranty includes, without limitation, century recognition, calculations that accommodate same century and multicentury formulas and data values and date data interface values that reflect the century. Pursuant to NRS 41.0321, the State is immune from liability due to any failure of millennium compliance.

25. PROPER AUTHORITY. The parties hereto represent and warrant that the person executing this Contract on behalf of each party has full power and authority to enter into this Contract. Contractor acknowledges that as required by statute or regulation this Contract is effective only after approval by the State Board of Examiners and only for the period of time specified in the Contract. Any services performed by Contractor before this Contract is effective or after it ceases to be effective are performed at the sole risk of Contractor.

26. GOVERNING LAW; JURISDICTION. This Contract and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the State of Nevada. Contractor consents to the jurisdiction of the Nevada district courts for enforcement of this Contract.

27. ENTIRE CONTRACT AND MODIFICATION. This Contract and its integrated attachment(s) constitute the entire agreement of the parties and such are intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other agreements that may have been made in connection with the subject matter hereof. Unless an integrated attachment to this Contract specifically displays a mutual intent to amend a particular part of this Contract, general conflicts in language between any such attachment and this Contract shall be construed consistent with the terms of this Contract. Unless otherwise expressly authorized by the terms of this Contract, no modification or amendment to this Contract shall be binding upon the parties unless the same is in writing and signed by the respective parties hereto and approved by the Office of the Attorney General and the State Board of Examiners.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be signed and intend to be legally bound thereby.

Independent Contractor's Signature	Date	Independent's Contractor's Title
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Signature	Date	Title
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Signature	Date	Title
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Signature	Date	Title
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Signature - Board of Examiners	APPROVED BY BOARD OF EXAMINERS
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Approved as to form by:	On (Date)
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Deputy Attorney General for Attorney General	On (Date)
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Attachment C
LGIP INVESTMENT POLICY

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
INVESTMENT POLICY
LOCAL GOVERNMENT INVESTMENT POOL



BRIAN K. KROLICKI
STATE TREASURER

WWW.NEVADATREASURER.COM

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APPENDIX A	LOCAL GOVERNMENT INVESTMENT POOL SECURITIES LENDING POLICY IS INCORPORATED BY REFERENCE AND ATTACHED HERETO

I INTRODUCTION

Investment of the State of Nevada (State) Local Government Investment Pool (LGIP) is a function performed by the Office of the State Treasurer (State Treasurer) pursuant to Nevada Revised Statutes (NRS). In addition to investing assets in the LGIP as prescribed by law, with regular oversight provided by the State Board of Finance, the State Treasurer has determined that the investment activities should be further controlled by an investment policy set forth by the State Treasurer and approved by the State Board of Finance. The recognition of the fiduciary responsibility of the State Treasurer and the State Board of Finance has advanced the development of this investment policy and the administration of the LGIP investment program (investment program).

The purpose of this policy is to establish the guidelines that will govern the investment activities of the State Treasurer with regard to the management of the LGIP. Once approved, this policy can only be amended by a majority vote of the State Board of Finance.

This policy will ensure the prudent investment of the LGIP, adherence to NRS applicable to the investment of public funds, maintenance of daily liquidity requirements, anticipation of future cash needs, and realization of a competitive benchmark rate of return.

II SCOPE

This policy applies to all money that comprises the LGIP, the purpose of which is to provide an alternative investment program to be utilized by State local governments (local governments) for the pooling of their public funds. The LGIP is reported as a fiduciary fund type in the State's Comprehensive Annual Financial Report (CAFR).

In accordance with NRS 355.167, any local government, as defined by NRS 354.474, may deposit money into the LGIP for the purpose of investment. In addition to providing local government participants (participants) a safe and convenient method of investment, the LGIP also offers the following benefits:

- a. No minimum or maximum size of accounts.
- b. Multiple accounts may be maintained for accounting purposes.
- c. No transaction size limitation for deposit or withdrawal of money.
- d. No restriction on length of time money is deposited.

III PRUDENCE

The standard of care to be used in the investment program will be the following “prudent person” standard, as hereafter quoted, and will be applied while conducting all investment transactions:

“The state treasurer shall exercise the judgment and care, under the circumstances then prevailing, which a person of prudence, discretion and intelligence exercises in the management of his own affairs, not in regard to speculation, but in regard to the investment of his money, considering the probable income as well as the probable safety of his capital.”

Authorized investment officers and staff who act in accordance with this policy and written procedures in the management of the LGIP, and who exercise the proper due diligence will have no personal responsibility for an individual security’s credit risk or market price changes, provided that deviations from expectations are reported and preventive action is taken to control adverse developments.

IV OBJECTIVES

The LGIP will be managed to accomplish the following objectives:

- a. **Safety:** Safety of principal is the foremost objective of the investment program. Investments in the LGIP shall be undertaken to ensure the preservation of principal in the portfolio.
- b. **Liquidity:** The LGIP will remain sufficiently liquid to allow for normal withdrawals by participants. Approximately 10 percent of the portfolio will be invested in overnight securities.
- c. **Return on Investment:** The LGIP will be invested to attain a benchmark rate of return that is consistent with a short duration portfolio of high quality securities. This would take into account the investment risk constraints that apply to local governments, the prevailing economic environment, and the cash flow characteristics of the portfolio.

V DELEGATION OF AUTHORITY

NRS 355.167(1) authorizes the creation of the LGIP, which is to be administered by the State Treasurer, and which is subject to the periodic review and approval or disapproval of the State Board of Finance. NRS 226.100(1) authorizes the State Treasurer to appoint a Deputy of Investments (Deputy) whose responsibilities include management of the investment program and implementation of procedures consistent with this policy. The Deputy will also be responsible for the supervision and regulation of the investment staff and all external investment professionals associated with the investment program.

VI INVESTMENT PROCEDURES

The State Treasurer will establish written procedures detailing the operation and regulation of the investment program. The procedures set forth the trading authorization of the investment staff, the daily responsibilities of implementing the investment program, and the segregation of investment duties. The State Treasurer will submit to periodic independent audits to determine that investment activities adhere to State statutes, administrative rules, and investment policies.

VII ETHICS

All investment staff will act responsibly as custodians of public funds. The staff will refrain from personal business activity that could conflict with the proper execution of the investment program or that could impair their ability to make impartial investment decisions.

VIII AUTHORIZED FINANCIAL INSTITUTIONS

- a. The State Treasurer will maintain a list of financial institutions which are authorized to provide investment services. The list will include:
 1. “Primary” dealers or other dealers which qualify under SEC Rule 15C3-1, the Uniform Net Capital Rule, which are registered to conduct business in Nevada.
 2. Banks which are organized and operating, or licensed to operate in the United States under federal or state law.
- b. The State Treasurer maintains relationships with qualified members of the financial community who have reviewed the eligible investments that are prescribed in NRS and the adopted investment policies, and who are aware of the investment needs, constraints, and goals of the investment program. A “Request for Information” (RFI) is periodically issued to provide a uniform standard the State Treasurer may use to identify the financial condition and professional merits of any financial institution included on the list. An “Affidavit of Suitability”, attesting to having reviewed and understood the contents of the investment policies and NRS, must be completed for final selection. A current audited financial statement for each approved financial institution shall be maintained in the State Treasurer’s office.
- c. The State Treasurer will encourage all qualified financial institutions providing investment services in the State, including those owned by women, minorities, and/or the physically impaired, to respond to the RFI. Consideration will be given to all institutions when their services are competitive on a national basis.

IX AUTHORIZED INVESTMENTS

The State Treasurer, in accordance with the provisions of NRS 355.170, and this policy, is authorized to invest money of the LGIP in:

a. Asset-Backed Securities (ABS)

1. Rating must be “AAA” or it’s equivalent.
2. Sponsor must be investment grade, unless security is insured (wrapped).
The insurer must be rated “AAA”.
3. The final cash flow payment date will not exceed two (2) years assuming a zero (0) pre-payment speed.
4. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
5. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

b. Bankers’ Acceptances

1. Rating must be “A-1”, ” P-1”, or it’s equivalent or better
2. Maximum maturity of 180 days.
3. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
4. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

c. Collateralized Mortgage Obligations

1. Rating must be “AAA” or it’s equivalent.
2. If underlying collateral is non United States government agency securities, sponsor must be investment grade, unless security is insured (wrapped).
The insurer must be rated “AAA”.
3. The final cash flow payment date will not exceed two (2) years assuming a zero (0) PSA pre-payment speed.
4. If underlying collateral is non United States government agency securities, no more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

d. Commercial Paper

1. Rating must be “A-1”, “P-1”, or it’s equivalent or better.
2. Maximum maturity of 270 days.
3. Aggregate par value may not exceed 20 percent of total par value of the portfolio (See XII Diversification a-2).
4. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

e. Corporate Notes

1. Rating must be “A”, or it’s equivalent or better.
2. Maximum maturity of two (2) years.
3. Aggregate par value may not exceed 20 percent of total par value of the portfolio (See XII Diversification a-2).
4. No more than five (5) percent of total par value of the portfolio may be in one issuer.
5. If the rating is reduced below the level of “A”, the security must be sold as soon as possible.

f. Money Market Mutual Funds

1. Only SEC registered 2(A)7 funds are eligible.
2. Rating must be “AAA” or it’s equivalent.
3. Investments must only be:
 - a) United States Treasury or United States government agency securities.
 - b) Master notes, bank notes, or commercial paper rated “A-1”, “P-1” or its equivalent or better, issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States, or any state, and operating in the United States.
 - c) Repurchase Agreements collateralized by the securities in f-3a) and f-3b).
4. Funds must maintain a \$1 Net Asset Value.

g. Negotiable Certificates of Deposit

1. Issued by commercial banks.
2. Issued by insured savings and loan associations.
3. Issued by insured credit unions.
4. Rating must be “A” or it’s equivalent or better.
5. Maximum maturity of two (2) years.
6. Aggregate par value may not exceed 20 percent of total par value of the portfolio (See XII Diversification a-2).
7. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

h. Repurchase Agreements

1. Executed with a qualified counterparty approved by the State Treasurer.
 - a) Counterparty means a bank which is organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the

Federal Reserve Bank of New York as a “primary” dealer, and in full compliance with all applicable capital requirements.

b) Counterparty must provide annual audited financial statements to the State Treasurer.

c) Counterparty must have executed a written master repurchase agreement in a form satisfactory to the State Treasurer and the State Board of Finance prior to transacting a repurchase agreement.

2. Maximum maturity of 90 days.

3. Collateral requirements (see X Collateralization a-2).

4. The limit to one (1) counterparty will be 10 percent of total par value of the portfolio.

i. Student Loan Marketing Association

1. Maximum maturity of two (2) years.

j. United States Treasury Bills, Notes, and Bonds

1. Maximum maturity of two (2) years.

k. United States Government Agency Securities

1. Fannie Mae

2. Federal Agricultural Mortgage Corporation

3. Federal Farm Credit Bank

4. Federal Home Loan Bank

5. Federal Home Loan Mortgage Corporation

6. Government National Mortgage Association

7. Maximum maturity of two (2) years.

X COLLATERALIZATION

a. Repurchase Agreements

1. Transacted on a delivery versus payment basis, whereby the securities custodian will disburse cash for repurchase agreements only upon the receipt of the purchased securities.

2. The purchased securities will be United States Treasury or United States government agency securities with a term to maturity not to exceed 10 years. The market value of the purchased securities must equal or exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly. If the value of the purchased securities should fall below 102 percent, the counterparty will be required to submit

additional collateral to make up the deficit. The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase.

XI SAFEKEEPING/CUSTODY AND DELIVERY

- a. Securities purchased by the State Treasurer for the LGIP, as well as collateral for repurchase agreements will be delivered against payment and held in a custodial safekeeping account with an approved financial institution acting as a third party custodian.
- b. The State Treasurer will periodically issue an RFP for Master Securities Custody Services, which will encompass the following functions:
 - 1. The settlement of all purchase, sales, and calls through the Federal Reserve System (Fed) or the Depository Trust Company (DTC).
 - 2. The collection and distribution of all interest payments.
 - 3. The collection and distribution of all paydowns associated with collateralized mortgage obligations and asset-backed securities.
 - 4. The receipt and disbursement of all repurchase agreement collateral.
 - 5. The facilitation of all trading activity conducted by investment managers and the securities lending agent.
 - 6. Providing daily accounting and bookkeeping of all investment accounts, weekly market evaluation of securities, and month end reports that show a detailed list of holdings with market evaluations.

XII DIVERSIFICATION

- a. Securities held in the LGIP will be diversified to eliminate the risk of loss from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The following diversification limitations shall be imposed:
 - 1. With the exception of United States Treasury securities, United States government agency securities, and repurchase agreements, no more than 20 percent of the total par value of the portfolio will be invested in a single security type.
 - 2. No more than 40 percent of the total par value of the portfolio will be invested in any combination of negotiable certificates of deposit, commercial paper, and corporate notes.

XIII MATURITIES

- a. **Liquidity:** To the extent practical, investment maturities must match normal cash flow requirements of the participants. Portfolio management will require a continuous assessment of these needs for a 60 day period.
- b. **Market Risk:** Market risk relates to the constant price fluctuations of securities that may result in a loss to the LGIP if cash flow requirements force a premature sale.

Portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances. The projection of a “Minimum Liquidity Requirement” will be enforced to ensure that money is available to meet the short-term operating needs of the participants.

- c. **Minimum Liquidity Requirement:** The total cash flow needed to fund anticipated LGIP obligations for a period of four (4) weeks. All securities included in this requirement must mature within 28 days.
- d. **Intermediate Market Investment:** That portion of LGIP money remaining after adherence to the “Minimum Liquidity Requirement” may be invested in the intermediate market, which would include securities maturing between zero (0) and two (2) years, provided that the average maturity of the portfolio does not exceed 150 days.

XIV PERFORMANCE EVALUATION

The LGIP will be invested to attain a benchmark rate of return consistent with imbedded cash flow requirements and risk constraints, and dependent upon prevailing economic factors. The LGIP maintains a conservative, “buy and hold” investment strategy, which incorporates the matching of maturing securities to the cash requirements of the participants. Given this strategy, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved will be the three (3)-month United States Treasury bill yield. The comparison will be made on a weekly basis.

XV ACCOUNTING AND REPORTING

- a. The State Treasurer will maintain a technologically sufficient investment system that will account for all investment transactions, produce detailed reports of securities holdings, calculate yield to maturity and average portfolio life, create securities amortizations, and calculate portfolio earnings.
- b. The investment system will also provide fund accounting capabilities which will track participant deposits and withdrawals, and which will calculate the distribution of interest earnings.

- c. The State Treasurer will provide each participant a monthly report which contains the following information:
 - 1. Deposit or withdrawal by date.
 - 2. Beginning and ending balance.
 - 3. Interest earnings.
 - 4. Annualized gross and net yields.
 - 5. Administrative fee.
- d. Per NRS 355.045, the State Board of Finance will review the investment policies of the LGIP at least every four (4) months. The State Treasurer will submit a quarterly report which will contain the following information to permit an evaluation of the performance of the LGIP portfolio:
 - 1. An overview of market and economic conditions for the quarter.
 - 2. The investment strategy used for investment of the portfolio.
 - 3. A list of securities holdings in the portfolio at quarter end that categorizes each type of security.
 - 4. Yield to maturity and average life of the portfolio at quarter end.
 - 5. Percentage allocation of securities by category.
 - 6. Dollar value earnings distribution for the quarter.
 - 7. Performance of the portfolio versus the selected benchmark.
- e. The report will allow the State Board of Finance to review investment results, provide suggestions for improved future performance, and to verify that investment staff has acted in accordance with investment policies and procedures.

XVI YIELD CALCULATION AND EARNINGS

- a. Interest is distributed to participants monthly using the accrual basis of accounting, whereby income and expense items are recognized as they are earned or incurred, even though they may not have been actually received or paid.
- b. The SIA (Securities Industry Association) method of calculating yield is utilized. The yield is computed monthly on an annualized basis, using the amortized book value of the securities held in the portfolio. Yield is quoted both gross and net of administrative fees.
- c. Earnings composed of gains and losses are calculated and distributed in the month in which they were realized.

- d. Total earnings are apportioned to each LGIP sub-account on a pro-rata basis of each account's average weighted dollar days to the LGIP's total average weighted dollar days. (Dollar day = one (1) dollar in the account for one day.)

XVII INTERNAL CONTROLS

- a. A system of controls will be established by the State Treasurer to monitor investment transactions and associated activities. These controls are created to safeguard against fraud, investment staff error, or other actions that could result in a loss of local government money.
- b. The State Treasurer is subject to periodic audits by the Legislative Counsel Bureau that includes unscheduled cash and securities counts. An independent accounting firm, which will determine that investments are being made according to State statute, investment policy and procedures, and administrative regulations, will audit the LGIP annually.

XVIII SECURITIES LENDING

In accordance with NRS 355.167(4), the State Treasurer may lend securities from the LGIP. The Securities Lending Policy is included in this policy as "Appendix A".

XIX APPROVAL

This policy is approved by the State Board of Finance on:

Date:

Attested to by:_____

John E. Adkins
Chief Deputy Treasurer
Ex-Officio Secretary to the State Board of Finance

GLOSSARY

**ASSET- BACKED SECURITY
(ABS)**

A security backed by notes or receivables against assets other than real estate. Examples are automobiles and credit card receivables.

**AUTHORIZED
BROKER/DEALERS AND
FINANCIAL INSTITUTIONS**

Broker/dealers and financial institutions approved by the State Treasurer to provide investment services.

**BANKERS'
ACCEPTANCES
(BA)**

Bankers' Acceptances are negotiable short-term financial instruments which are unconditional obligations of the accepting bank. They are issued on a discount basis.

BASIS POINT

1/100 of one (1) percent. (decimally .0001)

BENCHMARK

A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BROKER

A party who brings buyers and sellers together, and charges a commission for this service.

**CERTIFICATE OF DEPOSIT
(CD)**

A negotiable time deposit issued by a bank in certificate form. A CD is issued with a specific maturity date and pays interest at maturity.

COLLATERAL

Securities or cash which a borrower pledges to secure repayment of a loan.

**COLLATERALIZED
MORTGAGE OBLIGATION
(CMO)**

A security which pools together mortgages and separates them into short, medium, and long-term "tranches". Tranches are set up to pay different rates of interest depending upon their maturity. Interest is usually received on a monthly basis.

**COMMERCIAL PAPER
(CP)**

A short-term promissory note issued by a corporation. Commercial paper is issued on a discount basis and has specific maturity dates not to exceed 270 days.

CORPORATE NOTE

A negotiable security issued by a corporation.

CUSTODIAN	A financial institution approved by the State Treasurer to provide safe-keeping services with respect to securities and securities-related assets, and to provide other services which may include trade settlement, interest collection and transaction reporting.
DEALER	A firm or individual who buys and sells for his own account.
DELIVERY VS. PAYMENT (DVP)	The exchange of securities and cash at settlement date.
DISCOUNT BASIS	The price of a security expressed as an annualized rate of discount. Discounted securities are purchased at a dollar price below face value, and mature at face value.
DIVERSIFICATION	Allocating investment funds to a variety of securities to minimize market risk.
DURATION	The weighted average maturity of the security's cash flows, where the present values of the cash flows serve as the weights. The greater the duration of a security, the greater it's percentage price volatility.
FAIR VALUE	The amount at which an investment can be exchanged between buyer and seller.
FANNIE MAE	Established by Congress in 1938 to provide liquidity to the mortgage market, especially the secondary market for residential mortgages. Legislation in 1968 transformed the agency into a publicly owned, privately managed corporation, but still required government regulation. Previously known as Federal National Mortgage Association.
FEDERAL AGRICULTURAL MORTGAGE CORPORATION (FARMERMAC)	A federally chartered agency of the United States. It was established to provide a secondary market for agricultural real estate mortgage loans.
FEDERAL FARM CREDIT BANK (FFCB)	The Federal Farm Credit Administration, a federal agency, is responsible for regulating the banks and associations which comprise the Federal Farm Credit System. This System provides credit solely to the United States agricultural sector.
FEDERAL FUNDS RATE	The interest rate charged by banks having excess reserves to banks needing the money to meet reserve requirements.

**FEDERAL HOME LOAN
BANK (FHLB)**

The Federal Home Loan Bank Board, established by Congress in 1932, is comprised of 12 Federal Home Loan Banks. The Board is authorized to provide support and liquidity to savings and loans, banks, and insurance companies engaged in home financing.

**FEDERAL HOME LOAN
MORTGAGE CORPORATION
(FREDDIEMAC)**

Established by Congress in 1970 to enhance the liquidity of mortgage investments and to improve the distribution of investment capital available for home mortgage financing. Legislation in 1989 transformed the agency into a publicly owned, privately managed corporation, but still required government regulation.

GOVERNMENT AGENCIES

Refers to securities issued by agencies of the United States government and United States government sponsored enterprises. Securities issued range in maturity from overnight to longer than 10 years. Securities may be issued on a discount basis, or may be interest bearing. Agencies would include FARMERMAC, FFCB, FHLB, FREDDIEMAC, and FANNIEMAE.

**GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION
(GNMA)**

Established in 1986 to take over some of the functions performed by FNMA. GNMA is an agency controlled by the Department of Housing and Urban Development (HUD). GNMA is authorized to confer a full faith and credit guarantee of the United States government for the timely payment of both principal and interest on packages of mortgages it creates in its mortgage pass-through securities program.

**LEGISLATIVE COUNSEL
BUREAU (LCB)**

Encompasses the lawmaking authority of the State of Nevada. It is empowered to enact the laws of the State and provides oversight of the executive and judicial branches of government through the budget and audit processes and reviews the regulations developed by State agencies.

LIQUIDITY

The capacity to meet future financial obligations from available resources.

**LOCAL GOVERNMENT
INVESTMENT POOL**

A state investment program, usually administered by the State Treasurer, which manages the monies of local governments by using the pooling method.

**MASTER REPURCHASE
AGREEMENT**

A written contract between the State Treasurer and an approved counterparty which details each party's obligations in a repurchase agreement transaction. Among other things, it will specify the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MONEY MARKET FUNDS

A mutual fund that invest only in money market instruments, or those securities having a maturity of one (1) year and under.

NEVADA REVISED STATUTES (NRS)	The codified laws of the State of Nevada as enacted by the Legislature.
PAR VALUE	The principal amount a holder will receive at the maturity of an issue.
PORTFOLIO	A collection of securities held by an investor.
PREMIUM	The amount by which the market price of an issue exceeds face value.
PRUDENT PERSON RULE	An investment standard which may be adopted by an investment organization to guide those with the responsibility for the investment of money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.
RATINGS	The evaluation of an issuer's credit standing published by Moody's, Standard & Poors, Fitch or other rating services.
REPURCHASE AGREEMENT	A simultaneous sale of securities by a bank or broker/dealer with an agreement to repurchase those securities at an agreed upon date, and at an agreed-upon rate of interest.
SAFEKEEPING	A fee arrangement whereby an approved financial institution holds a customer's securities in it's vaults, or in the case of book-entry securities, maintains a safe-keeping receipt recorded in the customer's name as evidence of ownership.
SECURITIES INDUSTRY ASSOCIATION	An organization which offers premiere educational programs to member securities firms.
STUDENT LOAN MARKETING ASSOCIATION (SALLIE MAE)	Established in 1972 by Congress as a publicly owned, government sponsored enterprise(GSE), created to provide liquidity for originators of student loans made under federally sponsored student loan programs. In 1997 shareholders voted to privatize Sallie Mae, although the GSE remains the obligor in all pre and post privatization public debt issued.
TIME CERTIFICATE OF DEPOSIT (TCD)	A non-negotiable financial instrument issued with a specific amount, rate and maturity date.
UNITED STATES TREASURY BILLS(T-BILLS)	A discounted security issued by the United States Treasury. T-bills are issued with maturities of three (3) and six (6) months.

**UNITED STATES
TREASURY NOTES**

Interest-bearing securities issued by the United States Treasury. Notes are issued with maturities from two (2) to 10 years.

YIELD

The rate of annual return on an investment expressed as a percentage. **YIELD TO MATURITY** is the total money earned from investment date to maturity date assuming: 1) semi-annual interest payments, 2) interest is reinvested at same rate security was purchased at, and 3) the premium is subtracted or discount is added to final money.

APPENDIX A

STATE OF NEVADA OFFICE OF THE STATE TREASURER SECURITIES LENDING POLICY LOCAL GOVERNMENT INVESTMENT POOL

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I SCOPE

This policy establishes the guidelines that govern the securities lending program (lending program) administered by the Office of the State Treasurer (State Treasurer). The ability to lend securities from the State of Nevada (State) Local Government Investment Pool's (LGIP) investment portfolio (portfolio) is the responsibility of the State Treasurer, and is authorized by NRS 355.167. This policy applies to the lending of securities from the LGIP portfolio.

II PRUDENCE

The standard of care to be used by investment officials will be the "prudent person" standard and will be applied to the management of the lending program. The securities lending agent (agent) shall:

"Exercise the judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence exercises in the management of his own affairs, not in regard to speculation, but in regard to the investment of his money, considering the probable income as well as the probable safety of his capital."

III OBJECTIVE

The objective of the lending program is to use a conservative investment duration matched management approach to earn incremental income above that already generated from securities within the portfolio, while taking into consideration a) safety, b) liquidity, and c) return on investment.

IV DELEGATION OF AUTHORITY

The State Treasurer is responsible for the investment of LGIP money and the management of the lending program. This responsibility is delegated to the Deputy of Investments (Deputy), who will implement the lending program, establish the guidelines within this policy, and structure internal controls to monitor the investment procedures of the agent.

State auditors may audit the lending program periodically. Upon his discretion, the State Treasurer may also contract with an independent accounting firm to render audit services.

V PROGRAM MANAGEMENT

One or more financial institutions may be selected to act as agents, as stipulated in NRS 226.110 and NRS 284.173, allowing the State to employ the services of specialized and professional personnel. The agent will arrange the terms and conditions of security loans, monitor the market value of the securities lent and the collateral received, and invest the cash received as collateral. The agent will arrange for loans of securities currently in the possession of the State Treasurer's securities custodian, and may direct said custodian to act upon its investment instructions.

The State Treasurer reserves the right to modify or cancel the lending program at his discretion.

VI AGENT SELECTION AND CONTRACTUAL AGREEMENT

The State Treasurer will periodically issue an RFP to qualified members of the financial community which provide securities lending services. The selected agent must demonstrate experience with comparable engagements, experience of staff, the ability to generate securities lending revenue, and the competitiveness of proposed fees and revenue sharing.

The State Board of Examiners must approve a written contractual agreement between the State Treasurer and each agent prior to engaging in securities lending activities. The agreement will authorize the lending of securities, and will outline the responsibilities and liabilities of the agent in connection with the implementation of the lending program. These responsibilities include, but are not limited to:

- a. Monitoring the fair market value of loaned securities on a daily basis.
- b. Monitoring the value of collateral provided by borrowers on a daily basis, which must represent at least 102 percent of the value of the securities borrowed.
- c. Exercising the right and duty to demand additional collateral or the obligation to release collateral as market values fluctuate.
- d. Lending of securities only to borrowers authorized by the State Treasurer, and only to borrowers for which there is a signed Bond Market Association's Master Securities Loan Agreement.
- e. Maintaining complete records of securities lending transactions and earnings to be submitted on a monthly basis to the State Treasurer.
- f. Detailing the agreed upon fee arrangement.

VII COLLATERAL

The State Treasurer will accept the following as collateral:

- a. Cash
- b. United States Treasury or United States government agency securities maturing in 10 years or less.

The borrower must pledge collateral having a value equal to at least 102 percent of the value of the loaned securities plus accrued interest, at the time the loan is initiated. The agent(s) is responsible for marking to market the collateral on a daily basis, and ensuring that the value doesn't fall below 102 percent. If this value drops below this point, the agent must immediately secure additional collateral from the borrower.

VIII AUTHORIZED INVESTMENTS FOR CASH COLLATERAL

The agent is authorized to invest the cash collateral in:

- a. Asset-Backed Securities (ABS)
 - 1. Rating must be "AAA" or it's equivalent.
 - 2. Sponsor must be investment grade, unless the security is insured (wrapped). The insurer must be rated "AAA".
 - 3. The final cash flow payment date will not exceed two (2) years assuming a zero (0) PSA pre-payment speed.
 - 4. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
 - 5. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.
- b. Bankers' Acceptances
 - 1. Rating must be "A-1", "P-1", or it's equivalent or better.
 - 2. Maximum maturity of 180 days.
 - 3. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
 - 4. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.
- c. Commercial Paper
 - 1. Rating must be "A-1", "P-1", or it's equivalent or better.
 - 2. Maximum maturity of 270 days.
 - 3. Aggregate par value may not exceed 20 percent of total par value of the portfolio.

4. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.
- d. Corporate Notes
1. Rating must be “A” or it’s equivalent or better.
 2. Maximum maturity of two (2) years.
 3. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
 4. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.
 5. If the rating is reduced below the level “A”, the security must be sold as soon as possible.
- e. Money Market Mutual Funds
1. Only SEC registered 2(A)7 funds are eligible.
 2. Rating must be “AAA” or it’s equivalent.
 3. Investments must only be:
 - a) United States Treasury or United States government agency securities.
 - b) Master notes, bank notes or commercial paper rated “A-1,” “P-1” or its equivalent or better, issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States, or any state, and operating in the United States.
 - c) Repurchase Agreements collateralized by the securities in e-3a) and e-3b).
- f. Negotiable Certificates of Deposit
1. Issued by commercial banks.
 2. Issued by insured savings and loans associations.
 3. Issued by insured credit unions.
 4. Rating must be “A” or it’s equivalent or better.
 5. Maximum maturity of two (2) years.
 6. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
 7. No more than of five (5) percent of total par value of the portfolio may be in one (1) issuer.
- g. Repurchase Agreements
1. Executed with a qualified counterparty approved by the State Treasurer.
 - a) Counterparty means a bank which is organized and operating or licensed to operate in the United States under federal or state law or a

- securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a “primary” dealer and in full compliance with all applicable capital requirements.
2. An executed written Master Repurchase Agreement must be in place.
3. The limit to one (1) counterparty will be 10 percent of total par value of the portfolio.
4. The purchased securities will be:
 - a) United States Treasury or United States Government Agency securities
 - (1) Collateralized at 102 percent.
 - (2) Maximum maturity of 10 years.
 - b) Corporate Notes
 - (1) Collateralized at 105 percent.
 - (2) Rating must be “A” or it’s equivalent or better.
 - (3) Maximum maturity of five (5) years.
 - c) Authorized Money Market securities
 - (1) Collateralized at 102 percent.
 - (2) Rating must be “A-1”, “P-1”. Or it’s equivalent or better.
 - d) “AAA” Collateralized Mortgage Obligations
 - (1) United States government agency securities collateralized at 102 percent.
 - (2) Non-United States government agency securities collateralized at 105 percent.
 - (3) Maximum 10 year final legal maturity.
5. The market value of collateral must be at least 102 percent of the repurchase price, and must be marked to market daily.
6. Maximum maturity of 90 days.
- h. Student Loan Marketing Association
 - a) Maximum maturity of two (2) years.
- i. United States Treasury Bills, Notes, and Bonds
 1. Maximum maturity of two (2) years.
- j. United States Government Agency Securities
 1. Federal National Mortgage Association
 2. Federal Home Loan Bank

3. Federal Farm Credit Bank
4. Federal Home Loan Mortgage Corporation
5. Government National Mortgage Association
6. Maximum maturity of two (2) years.

No more than 40 percent of the total par value of the portfolio will be invested in the combination of negotiable certificates of deposit, commercial paper, and corporate notes.

IX MAXIMUM AVERAGE MATURITY

The average weighted maturity of cash collateral investment shall not exceed 90 days. For the purpose of calculating the average weighted maturity of permitted investments, maturity shall mean:

- a. One day in the case of money market mutual funds, overnight repurchase agreements, and other instruments that may be liquidated without market loss.
- b. The number of days remaining to the next reset date in the case of floating rate securities.
- c. The number of days remaining until the next put date in the case of securities subject to unconditional and irrevocable puts of the issue to the obligor.
- d. The actual number of days remaining until the maturity date for all other permitted investments.

X AUTHORIZED FINANCIAL INSTITUTIONS

Securities will be lent to creditworthy borrowers that are one of the following:

- a. Registered broker-dealers who are “primary” dealers.
- b. Registered broker-dealers who qualify under SEC Rule 15C3-1, the Uniform Net Capital Rule.
- c. Banks which are organized and operating or licensed to operate in the United States under federal or state law.

Furthermore, borrowers must be:

- a. Approved by the State Treasurer.

All borrowers will execute the Bond Market Association’s Master Securities Loan Agreement.

XI REPORTING

- a. The State Treasurer requires the agent to submit a monthly report with the following information:
 - 1. Securities loan transactions for the month.
 - 2. Securities currently out on loan by issue.
 - 3. Any cash collateral currently held.
 - 4. Outstanding loans by borrower.
 - 5. A statement of earnings (or losses) on collateral investment transactions for the month.

- b. The State Treasurer requires the agent to submit a quarterly report for presentation to the State Board of Finance with the following information:
 - 1. Gross and net earnings for the quarter.
 - 2. Performance for the quarter.

Attachment D
LGIP INVESTMENT PORTFOLIO

STATE OF NEVADA

Portfolio Report with Purchased Interest

As of: 03/31/04

Broker	Instrument Description	Instrument ID	CUSIP #	Rate	Maturity	Par Value	Amort Book Value	Purchased Interest
LGIP - LOCAL GOVT INVESTMENT POOL								
CD - CERTIFICATE OF DEPOSIT								
	CERT OF DEPOSIT-UBS	8223	90261GVB2	1.0150	05/10/04	10,000,000.00	10,000,221.71	0.00
	CERT OF DEPOSIT-WELLS FARGO	8252	9497POKF7	1.0200	04/01/04	5,000,000.00	5,000,002.78	0.00
	CERT OF DEPOSIT-WELLS FARGO	8269	9497POLZ2	1.0200	05/11/04	10,000,000.00	10,000,113.04	566.67
	CERTIFICATE OF DEPOSIT Totals:					25,000,000.00	25,000,337.53	566.67
CPD - COMMERCIAL PAPER								
	COMM PAPER-METLIFE FNDING	8178	59087ADD8	1.0000	04/13/04	10,000,000.00	9,978,611.11	0.00
	COMM PAPER-MET LIFE FUNDING	8282	59087AF95	1.0100	06/09/04	10,000,000.00	9,976,433.33	0.00
	COMM PAPER-UBS	8292	90262CF77	1.0100	06/07/04	10,000,000.00	9,978,397.22	0.00
	COMMERCIAL PAPER Totals:					30,000,000.00	29,933,441.66	0.00
FCDN - FFCB DISC NOTES								
	FFCB DISC NOTES	7810	313312WB2	1.0100	04/26/04	6,370,000.00	6,316,743.26	0.00
	FFCB DISC NOTES	7940	313312YG9	1.0800	06/18/04	10,000,000.00	9,917,800.00	0.00
	FFCB DISC NOTES	8043	313312VQ0	1.0900	04/15/04	1,836,000.00	1,827,494.73	0.00
	FFCB DISC NOTES	8054	313312WJ5	1.1000	05/03/04	4,996,000.00	4,970,811.83	0.00
	FFCB DISC NOTES	8146	313312E97	1.0600	09/07/04	5,000,000.00	4,964,372.22	0.00
	FFCB DISC NOTES	8147	313312J68	1.0700	10/06/04	5,000,000.00	4,959,726.39	0.00
	FFCB DISC NOTES	8184	313312XG0	0.9800	05/25/04	5,000,000.00	4,984,075.00	0.00
	FFCB DISC NOTES	8188	313312ZY9	1.0600	07/28/04	5,000,000.00	4,973,500.00	0.00
	FFCB DISC NOTES	8191	313312WE6	0.9800	04/29/04	6,000,000.00	5,985,790.00	0.00
	FFCB DISC NOTES	8216	313312F70	1.0600	09/13/04	7,225,000.00	7,179,687.21	0.00
	FFCB DISC NOTES	8243	313312YG9	0.9900	06/18/04	2,000,000.00	1,993,840.00	0.00
	FFCB DISC NOTES	8244	313312YK0	0.9900	06/21/04	10,000,000.00	9,968,375.00	0.00
	FFCB DISC NOTES	8283	313312N97	1.0500	11/10/04	15,522,000.00	15,414,251.45	0.00
	FFCB DISC NOTES	8303	313312YM6	0.9700	06/23/04	5,000,000.00	4,988,009.72	0.00
	FFCB DISC NOTES Totals:					88,949,000.00	88,444,476.81	0.00
FFCB - FEDERAL FARM CREDIT BANK								
	FEDERAL FARM CREDIT BANK	7824	31331Q4D6	1.1400	07/16/04	15,000,000.00	15,000,000.00	0.00
	FEDERAL FARM CREDIT BANK	7934	31331LJE9	5.1000	06/07/04	2,266,000.00	2,282,629.87	0.00
	FEDERAL FARM CREDIT BANK	7944	31331QCK1	2.3750	10/01/04	1,178,000.00	1,184,445.22	0.00
	FEDERAL FARM CREDIT BANK	8215	31331LQE1	4.5800	09/07/04	1,950,000.00	1,979,572.17	0.00
	FEDERAL FARM CREDIT BANK	8217	31331QCK1	2.3750	10/01/04	2,500,000.00	2,515,910.82	21,770.83
	FEDERAL FARM CREDIT BANK	8218	31331LXW3	3.8750	12/15/04	5,275,000.00	5,375,904.20	32,932.12
	FEDERAL FARM CREDIT BANK Totals:					28,169,000.00	28,338,462.28	54,702.95
FHLB - FEDERAL HOME LOAN BANK								
	FEDERAL HOME LOAN BANK	7784	3133MML50	3.7500	04/15/04	10,000,000.00	10,011,461.50	0.00

STATE OF NEVADA

Portfolio Report with Purchased Interest

As of: 03/31/04

Broker	Instrument Description	Instrument ID	CUSIP #	Rate	Maturity	Par Value	Amort Book Value	Purchased Interest
	FEDERAL HOME LOAN BANKC4/2/04	7807	31339YFP2	1.1500	07/27/04	10,000,000.00	10,000,000.00	0.00
	FEDERAL HOME LOAN BANK	7949	3133MQUW2	2.2500	08/13/04	8,000,000.00	8,030,577.91	0.00
	FEDERAL HOME LOAN BNKC5/10/04	8206	3133X43W9	1.4400	03/08/05	10,000,000.00	10,000,000.00	0.00
	FEDERAL HOME LOAN BANK	8226	3133MML50	3.7500	04/15/04	4,500,000.00	4,505,110.71	58,125.00
	FED HOME LOAN BNKC5/24/04PAR	8234	3133X4FZ9	1.3500	03/22/05	8,670,000.00	8,670,000.00	0.00
	FEDERAL HM LN BNKC5/26/04	8240	3133X4HF1	1.3500	03/23/05	10,000,000.00	9,999,086.96	0.00
	FEDERAL HOME LOAN BNKC4/2/04	8249	31339YCB6	1.0100	07/23/04	2,000,000.00	1,999,715.00	3,310.56
	FEDERAL HOME LN BNK C6/8/04	8264	3133X4SS1	1.4000	04/01/05	10,000,000.00	10,000,000.00	0.00
	FEDERAL HOME LOAN BANK	8272	3133MYRS8	1.5000	05/13/05	10,000,000.00	10,026,214.95	48,333.33
	FEDERAL HOME LOAN BANK	8273	3133X2ZF5	1.6250	06/15/05	10,000,000.00	10,039,412.58	38,819.44
	FEDERAL HOME LOAN BANK	8286	3133MKGJ0	3.8750	12/15/04	1,000,000.00	1,019,310.74	10,010.42
	FEDERAL HOME LOAN BANK	8287	3133MTL71	2.0000	11/15/04	3,500,000.00	3,519,441.34	23,916.67
	FEDERAL HOME LOAN BANK	8297	3133MEHL8	4.8750	04/16/04	2,870,000.00	2,874,631.93	61,406.04
			FEDERAL HOME LOAN BANK Totals:			100,540,000.00	100,694,963.62	243,921.46
FNMA - FED NAT MTG ASSOC								
	FED NAT MTG ASSOC04/12/04	8150	3136F4V92	1.5100	02/07/05	5,000,000.00	5,000,000.00	0.00
			FED NAT MTG ASSOC Totals:			5,000,000.00	5,000,000.00	0.00
FNMD - FNMA DISC NOTES								
	FNMA DISC NOTES	8167	313588VF9	0.9900	04/06/04	11,600,000.00	11,575,756.00	0.00
	FNMA DISC NOTES	8179	313588VW2	1.0050	04/21/04	10,000,000.00	9,976,270.83	0.00
	FNMA DISC NOTES	8187	313588VW2	1.0200	04/21/04	5,000,000.00	4,988,383.33	0.00
	FNMA DISC NOTES	8213	313588WL5	1.0100	05/05/04	3,096,000.00	3,088,877.48	0.00
	FNMA DISC NOTES	8256	313588XH3	1.0000	05/26/04	10,000,000.00	9,976,666.67	0.00
	FNMA DISC NOTES	8298	313588YM1	0.9950	06/23/04	10,000,000.00	9,974,848.61	0.00
			FNMA DISC NOTES Totals:			49,696,000.00	49,580,802.92	0.00
GOF - GOVT OBLIGATIONS FUND								
	GOVT OB FUND-RESERVE	8310	RUGXX	0.9900	04/01/04	47,783,000.00	47,783,000.00	0.00
			GOVT OBLIGATIONS FUND Totals:			47,783,000.00	47,783,000.00	0.00
HLDN - FHLB DISC NOTES								
	FHLB DISC NOTES	8155	313384VE6	0.9880	04/05/04	5,000,000.00	4,988,747.78	0.00
	FHLB DISC NOTES	8196	313384WL9	1.0100	05/05/04	10,000,000.00	9,974,469.44	0.00
	FHLB DISC NOTES	8214	313384WN5	1.0100	05/07/04	5,381,000.00	5,368,318.78	0.00
	FHLB DISC NOTES	8227	313384WV7	0.9900	05/14/04	4,000,000.00	3,990,650.00	0.00
	FHLB DISC NOTES	8248	313384XA2	0.9950	05/19/04	8,887,000.00	8,867,595.48	0.00
	FHLB DISC NOTES	8261	313384XC8	0.9800	05/21/04	15,000,000.00	14,968,558.33	0.00
			FHLB DISC NOTES Totals:			48,268,000.00	48,158,339.81	0.00
REPOAGREE - REPURCHASE AGREEMENT								

STATE OF NEVADA
Portfolio Report with Purchased Interest
As of: 03/31/04

Broker	Instrument Description	Instrument ID	CUSIP #	Rate	Maturity	Par Value	Amort Book Value	Purchased Interest
	REPO-GOLDMAN	8309		1.0300	04/01/04	69,672,000.00	69,672,000.00	0.00
			REPURCHASE AGREEMENT	Totals:		69,672,000.00	69,672,000.00	0.00
SLMA - STUDENT LOAN MKTG ASSOC								
	STUDENT LOAN MKTG ASSOC	7806	86387UAX3	5.0000	06/30/04	3,500,000.00	3,533,880.00	0.00
	STUDENT LOAN MKTG ASSOC	7817	86387UBF1	3.3750	07/15/04	5,000,000.00	5,032,754.57	0.00
	STUDENT LOAN MKTG ASSOC	7870	86387UAX3	5.0000	06/30/04	2,100,000.00	2,119,441.32	0.00
	STUDENT LOAN MKTG ASSOC	7969	86387UBF1	3.3750	07/15/04	9,880,000.00	9,944,186.95	0.00
	STUDENT LOAN MKTG ASSOC	7980	86387UAW5	4.7500	04/23/04	2,000,000.00	2,004,576.77	0.00
	STUDENT LOAN MKTG ASSOC	8018	86387UAW5	4.7500	04/23/04	10,000,000.00	10,022,411.93	9,236.11
	STUDENT LOAN MKTG ASSOC	8091	86387UAX3	5.0000	06/30/04	10,250,000.00	10,347,731.98	0.00
	STUDENT LOAN MKTG ASSOC	8203	86387UAW5	4.7500	04/23/04	5,000,000.00	5,011,872.97	69,930.56
	STUDENT LOAN MKTG ASSOC	8253	86387UBF1	3.3750	07/15/04	5,000,000.00	5,033,668.74	22,031.25
			STUDENT LOAN MKTG ASSOC	Totals:		52,730,000.00	53,050,525.23	101,197.92
			Totals for LGIP Portfolio:			545,807,000.00	545,656,349.86	400,389.00

Portfolio Report with Purchased Interest
As of: 03/31/04

Broker	Instrument Description	Instrument ID	CUSIP #	Rate	Maturity	Par Value	Amort Book Value	Purchased Interest
Grand Totals :						545,807,000.00	545,656,349.86	400,389.00